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My ref:

Your ref:

Dear Willie

8 December 1983

BRIEFING FOR CABINET MINISTERS ON LOCAL GOVERNMENT POLICIES

Our policies for rate limitation and the abolition of the Greater London and Metropolitan County Councils are arousing considerable comment and controversy. It is most important that we get our point of view across on both issues. I enclose speaking notes, with supporting questions and answers, which you, and Ministerial colleagues, may like to make use of in speeches over the coming months. Indeed much of the burden of the argument on individual services is bound to fall on Ministers in the Departments with responsibility for those services, and I cannot urge too strongly that colleagues should respond whenever appropriate to arguments which focus on their policy areas.

As well as the main notes on rate limitation and abolition the material includes notes on rating reforms (which were put forward in the "Rates" White Paper together with rate limitation). It also covers the 1984/85 RSG Settlement; although the RSG system is not directly altered by the new policies there are of course close links through our overall expenditure objectives for local government. Colleagues with service responsibilities will no doubt wish to add their own material to the notes on abolition.

This is the "Mark I" version of the brief; I shall send revisions from time to time. I am aware that this is a lot of material to handle. Even so it may not cover all the areas of interest to you. If you would like more detailed information on a particular point we should of course be happy to provide it.

This briefing material is meant to be a quarry of relatively detailed material. We will also be providing some more general information in what we hope will be suitably forceful and clear language.

I have strengthened the DOE information/local government staff by setting up, within the local government directorate a small team of officials headed by Roger Bright to co-ordinate better our response to the well-organised campaign of opposition and propaganda which we face. I have asked William Waldegrave to take charge of this work.

I have arranged a meeting with the Ministers in charge of the principal Departments with responsibility for local government services (Home Office, DES, DHSS, Transport, Welsh Office, and OAL) at 9.30am on Thursday 15 December, here at Marsham Street, at which we can discuss more fully the presentation of our policies affecting local government. It would also be useful if each of these Departments were to nominate a Minister and an official who could subsequently act as the contact point for William Waldegrave and also for Roger Bright (tel. 212 4087).

/ I am copying this letter to the Prime Minister, other members of the Cabinet (together with additional copies of the briefing for colleagues in their Departments) and to Sir Robert Armstrong.

Your ever

Patrick

PATRICK JENKIN

- 8 DEC 1983

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10 DOWNING STREET

Prime Ministers

- (i) To note the existence of  
this material
- (ii) To look at speaking  
notes on Rate Limitation  
and Abolition of GLC/R  
MMCs.

We will draw on this material  
as required for Questions

AT

9/12

# BRIEF FOR MINISTERS ON LOCAL GOVERNMENT POLICIES

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**RATE LIMITATION: SPEAKING NOTES**

**FINANCIAL BACKGROUND**

1. Local authorities in the United Kingdom are responsible in their current and capital spending for a quarter of all public expenditure.
2. Back in the early 60's their **current** spending amounted to about 5% of all domestic expenditure. That proportion was around 9% by 1982. The national Exchequer makes a very substantial contribution towards this: 52% of rate fund revenue in 1982/83 in England and Wales. However within the total of local government expenditure, the dramatic increase in current spending has been masked by an even steeper fall in capital spending - over 50% in 'volume' - between 1978/79 and 1982/83.
3. In fact, between 1978/79 and 1983/84 when this Government was looking for **real savings**, current expenditure actually rose. Budgetted expenditure this year in England is no less than 12% higher in real terms than planned for in the 1980 Public Expenditure White Paper. Had local government conformed to the Government's plans, considerable savings would have been achieved. Only the collapse in capital spending has produced any reduction overall.
4. On manpower, we have had some success. Local authorities in England and Wales employ nearly 2½m full-time and part-time staff. Between June 1979 and March 1983, with encouragement from us, they reduced the total by 4%. But that trend is now turning against us, with a rise of 0.3% in the year to June.
5. As to the rates, between April 1979 (when the Government came into power) and April 1983 domestic rates in England rose by 91% compared with a 55% increase in the RPI. The average increase in domestic rates was 72p in the £, with a range from 40p to a staggering 160p.
6. The Government have reduced the rate support grant percentage, since we want to reduce the cost of local government to the taxpayer and ratepayer, and to signal the need for expenditure reductions. But some authorities did not respond and reduce their expenditure as they were expected to. If they had done so (and that was our overall strategy) then rate increases would on average have been below the general rate of inflation. By refusing to cut their expenditure they put an additional burden on their ratepayers.

## THE CONSTITUTIONAL ARGUMENT

7. For almost all the post-war period there has been a clear consensus about the relationship between central and local government. Local authorities have accepted that they should live within the overall policies of central government. Of course it was easier to operate that consensus in times of expectation of growth. But it has broken down now that the need is for retrenchment. The blame for this rests squarely with a minority of high spending local authorities who have chosen to disregard the economic policies of national Government.

8. We live in a unitary state. Parliament is sovereign and has granted local government its powers. Local mandates cannot override national policy. At a time when the Government is striving to implement a programme for national economic recovery it has a right to expect local authorities to respond. Where that response is not forthcoming the Government has no alternative but to act through Parliament to safeguard the policies on which it was elected. That is what we are doing. The Government cannot control aggregate spending except through the individual amounts which make up a total, and some restraints on individual authorities are inevitable.

## WHY THE GOVERNMENT IS CONCERNED WITH LOCAL GOVERNMENT SPENDING

9. Some people question whether Government has a role at all in respect of local government. They are wrong to do so. High local government spending and taxing threaten the Government's economic strategy. They increase the burden of taxation which we are committed to reducing. Our tight control of public expenditure can be undermined by overspending in so substantial a sector of the economy. High rates feed into costs, fuel wage demands, and put our anti-inflation policy at risk. The local government overspend (£770m this year) pre-empts resources that could have been better used; it is a large figure in terms of the management of public sector expenditure.

### Non-domestic rates

10. High rates threaten the health of our industry and commerce. Non-domestic ratepayers contribute nearly 60% of the rates - much more in some individual authorities. They have no direct voting influence. Non-domestic rates total some £6bn in England this year and are the largest single tax on business. They are



unavoidable. Increases in rates raise costs, stifle growth, damage competitiveness, and destroy jobs.

### **Domestic rates**

11. The Government have a responsibility to domestic ratepayers. There is a general feeling in the country that something must be done about rates - the do nothing option is not open. The Government cannot stand back and watch as some authorities heap heavier and heavier burdens on their backs. If locally elected councillors will not protect the ratepayer, then we must do so. The least we can do is to protect those who have the heavier burdens.

### **WHY NEW MEASURES ARE NEEDED**

12. The Government have not rushed into proposals for rate limitation. We have moved step by step in an attempt to carry local government with us. We have reformed the grant system and sought to work through it to keep expenditure down. We have used targets and holdback, and this approach has had some success: in the current year 80% of authorities have budgeted to spend at or close to their target level. A significant minority however continue to spend with no regard to national policies or the burden on their ratepayers.

13. We have also considered the scope for getting rid of rates altogether. We have carried out a most thorough and searching review of the rating system. We have put forward some improvements in the rating system; for instance that representatives of business should be consulted before the rate is set. We have reluctantly concluded that rates must remain for the foreseeable future the main source of local revenue. Changes such as new taxes would take years to implement and would not restrain expenditure now; indeed buoyant new taxes would encourage it. And changes in functions (such as transferring or financing of education to central government) would raise major constitutional issues.

14. The changes we propose do not "spell the end of local government". Selected authorities will remain free to decide their own spending priorities within the rate limit set. They will be free to spend lower, and to rate lower, than the limit if they wish. All we are seeking is to curb overspending.

## RATE LIMITATION: THE NEW PROPOSALS

15. The scheme we are now proposing for **selective rate limitation** is practicable and reasonable. Three quarters of this year's total budgeted local government overspend of £770m is accounted for by just 16 authorities. Under the selective rate limitation scheme we will be **looking only at the highest spenders - probably no more than a dozen or 20 authorities altogether**. The criteria by which we select them will have particular regard to authorities' recent levels of spending, and how they vary from the objective measure of need represented by the Grant Related Expenditure (GRE).

16. Authorities spending below their GRE will be expressly excluded, as our White Paper makes clear. So will smaller authorities, by means of the setting of an expenditure level (the White Paper illustrated the effects of a £10m limit) below which no authority will be liable for selection.

17. The proposed **general rate limitation scheme** would provide a general control over the rates or expenditure of all local authorities. It would work in a similar way to the selective scheme in that expenditure levels would be set from which rate limits could be determined in the light of the authority's grant entitlement. There would be a power to exclude small authorities.

18. We hope that the selective scheme, along with the pressures already being exerted on authorities through the grant system, targets and holdback, will curb high spending councils and bring local government spending in aggregate into line with the Government's planning totals. If there is acceptable progress towards that objective we will never need to activate the general rate limitation scheme. We have no wish to do so, but our experience over the last four years leads us to conclude that we must be ready for all eventualities. Whether we are forced to move to general rate limitation lies entirely in the hands of local government itself.

**RATE LIMITATION: QUESTION AND ANSWER NOTES****Page**

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**ECONOMIC BACKGROUND**

**Q1. Why does the Government want to cut local government spending?**

A1. The Government has overall responsibility for public expenditure. Public spending must be reduced if we are to cut borrowing and taxation, reduce interest rates and leave people with more of their own money to spend. Local government still accounts for more than a quarter of all public expenditure. Because it is the Government's priority to protect the health service, pensions, defence expenditure and law and order services, other public spending by central government, local authorities and some nationalised industries have to take a larger share of the cuts.

**Q2. Is local authority expenditure public expenditure?**

A2. Certainly. It is expenditure for public purposes. Whether financed through the rates, borrowing or grant - and over half is financed from central government grant - local authority spending denies the use of funds to private industry and private individuals.

**Q3. Isn't local authority overspending only a small proportion of total public expenditure?**

A3. It is precisely these marginal amounts which cause so much difficulty in terms of economic management. We have had to increase provision for 1984/85 by £500m in view of overspending in England in 1983/84. Since the Government intend to stay on course, this £500m has to be found from somewhere. Other programmes risk suffering because of local government overspending.

**Q4. Aren't rates only a small proportion of industry's costs?**

A4. Rates may be only a small proportion of industry's costs, but in terms of profits rates can make all the difference. The CBI estimate that rates on industry and commerce in the UK, excluding North Sea operations, will amount to 50% or more of gross trading profits adjusted for inflation in the current financial year.

Q5. Haven't rates gone up simply because the Government has reduced grant?

A5. Of course we have reduced our grant, as a signal of expected expenditure reductions, since we want to reduce the cost of local government to the taxpayer and ratepayer. But some authorities did not respond and reduce their expenditure as they were expected to. If they had done so (and that was our overall strategy) then rate increases would on average have been below the general rate of inflation. However some authorities have simply carried on spending and put the resulting burden on the ratepayer.

Q6. Haven't the Government's attempts to control local government spending from the centre failed so far?

A6. Between 1979/80 and 1981/82, the volume of local authority current expenditure fell by about 2%. However local authorities' estimates of expenditure in 1982/83, and their budgets for 1983/84, show that this initial success has been followed by a return to growth - 2½% in 1982/83 and 1½% in 1983/84. The result is that the volume of local authority expenditure is now somewhat higher than it was in 1978/79. Compare this with the 7½% volume reduction between 1978/79 and 1983/84 which we were looking for in 1980.

Q7. Are all local authorities responsible for overspending or just a few authorities?

A7. The 1983/84 budgets of English local authorities are 12% higher in volume terms than the figure proposed for this year in the Government's Public Expenditure White Paper in 1980. More economies are required from all authorities. However, in 1983/84, 75% of the budgeted overspend of £771m on the aggregate of targets was due to only 16 authorities. It is that irresponsible minority who must be brought into line.

Q8. Hasn't local authority spending fallen as a percentage of GDP/total public expenditure and in real terms?

A8. Yes, but this is entirely because of the collapse in capital spending which nearly halved in cost terms between 1978/79 and 1982/83. In terms of current expenditure it increased by 10% in cost terms (cash expenditure adjusted for general inflation) over the same period.

## **THE CONSTITUTIONAL CASE**

**Q9. Don't the Government's rate limitation proposals attack the autonomy of local government?**

**A9.** Local authorities are responsible to local people through the ballot box for the way they carry out their statutory responsibilities. But ours is a unitary and not a federal state. All the powers of local authorities, including the power to raise rates, are derived from Parliament. Local mandates cannot set aside national policies.

→ **Q10. Why not let local electors decide if they are prepared to pay the rates?**

**A10.** There are major limitations to authorities' accountability to their ratepayers. In 1982/83 52% of authorities' net revenue expenditure was met by the national taxpayer. Only 22% of net rate fund revenue expenditure is financed by domestic rates (before rebates). Only about 35% of those eligible to vote in local elections pay full rates. 30% of domestic ratepayers are eligible for full or partial rebates.

### **WHY NEW MEASURES ARE NEEDED**

**Q11. Why move to rate limitation anyway?**

**A11.** We have sought to achieve our spending plans over the last four years by persuasion, exhortation, and financial pressure through the grant system. That is the approach we prefer. But it has not worked, as the expenditure outturns show. That is why we have reluctantly had to move to stronger measures.

**Q12. Why not just abolish the rates?**

**A12.** We have looked exhaustively into all the possible alternatives to rates. None of them meets the criteria we set out in our Green Paper any better than rates. All have considerable drawbacks and none has any consensus of public support.

Q13. Aren't there better forms of local tax than rates?

A13. We have looked at all the alternatives. None would help in terms of controlling expenditure in the short term, and all would take years to introduce. Indeed if they produced a buoyant income they would simply encourage the overspenders.

A14. Why not a local sales tax?

A14. Local sales tax was the least favoured by people responding to the Green Paper. Together with VAT it would produce a very high rate of tax on goods and services. It would be much less perceptible than rates and the burden of taxes could drift up with increasing prices without any need to change the rate of tax.

Q15. Why not a poll tax?

A15. A poll tax would certainly be perceptible and spread the burden more widely. But it would be hard to enforce. If the Electoral Register were used as the base, it could be seen as a tax on the right to vote. If a new register were used the tax would be expensive and complicated particularly if a system of rebates were needed. Without rebates it would bear harshly on those with low incomes.

Q16. Why not local income tax?

A16. Those who support local income tax want to spread the burden wider and relate tax liability more closely to ability to pay. But the Government is committed to reducing the burden of tax on incomes; a local income tax would increase the public sector staffing requirements and create extra work for employers; and such a tax deducted at source by the Inland Revenue and paid over to local authorities would confuse the link between tax demand and spending and would reduce accountability.

**The selective scheme**

**Q17. What is the purpose of the scheme?**

A17. Selective rate limitation will limit the rates and expenditure of a small minority - probably no more than 12 to 20 - of high spending local authorities. It will thus protect their ratepayers. It will also ease the pressure on the authorities who are spending sensibly.

**Q18. Will there be any exclusions?**

A18. Yes. All authorities spending below an amount (we have suggested £10m which would exclude 275 of the 296 non-metropolitan districts in England) specified annually by the Secretary of State will be excluded, as will authorities spending below their Grant Related Expenditure (GRE).

**Q19. What is to stop unreasonable rate increases in 1984/85?**

A19. We cannot implement the scheme earlier than 1985/86. But there are three reasons why authorities should not be tempted to rate up in 1984/85 to forestall rate limitation. Expenditure and rating behaviour in 1984/85 will be major factors in deciding who will be selected for control. The Secretary of State will have power to take account of authorities's reserve funds in setting rate limits for 1985/86. And new commitments entered into in 1984/85 would result in bigger cuts being required from other services to meet the rate limit in 1985/86.

**Q20. Will authorities which fail to meet their RSG expenditure targets and are subject to holdback automatically be selected for rate limitation?**

A20. No. Authorities with small budgets or which are spending below their GRE will automatically be excluded from selection whatever their "holdback" position. The selection criteria themselves will be designed to identify only the minority of highest spending authorities - perhaps 12 to 20 at most. Prudent authorities need not worry.



**Q21. How will the selective rate limitation scheme protect ratepayers in the selected authorities?**

A21. Simply by setting a maximum rate for individual councils. Once the RSG settlement is announced each year it will be possible to calculate the rate increase needed to cover the difference between expenditure and grant.

**Q22. Why have rate limitation as well as abolishing the GLC and Metropolitan County Councils?**

A22. Although the authorities to be abolished account for a substantial part of the overspend they do not account for all of it. And they are not the only high spending and rating authorities. We need selective limitation to bring down spending and to protect ratepayers in high spending areas that are not subject to abolition.

**Q23. Will the selective scheme enable pressure to be lifted off low spenders?**

A23. Not fully. Selective limitation will put a curb on the small minority of really high spenders. But there still needs to be restraint in spending by local government generally if aggregate expenditure plans are to be realised. That is one of the aims of a target/holdback system.

#### **The general scheme**

**Q24. What is the purpose of the scheme for general rate limitation?**

A24. The power to limit rates generally will be held in reserve. We do not want to use it, but cannot risk being left without further powers if selective limitation does not have the desired effect. The general scheme will only be used if the selective scheme, and the continuing operation of the existing grant system, fail to bring local spending more closely in line with our overall public expenditure plans. General control would only be introduced by means of a Parliamentary Order under the Affirmative Resolution procedure.

**RATE REFORMS: SPEAKING NOTES**

1. We propose several changes to the rating system to improve accountability and to bring relief to hard pressed business ratepayers.
  
- 2.. We are suspending local authorities' powers to levy rates on empty industrial property and extending the right to pay rates by instalments to a greater number of business ratepayers. We intend to place a duty on local authorities to consult their industrial and commercial ratepayers, who provide a significant proportion of rate income, before deciding upon expenditure levels and fixing rates and precepts.
  
3. All ratepayers will, in addition, be given a clearer statement of their rate liability to their precepting and rating authorities.

**RATING REFORMS: QUESTION AND ANSWER NOTES****Q1. Why no revaluation?**

A1. We have announced that we intend to hold a non-domestic revaluation to correct the distortions which have developed due to changed relative values of business property. We are urgently considering the case for domestic revaluation.

**Q2. Why not more help to business ratepayers?**

A2. We have had to set priorities - the costs of rate relief to one category of ratepayers must be met by other ratepayers or by taxpayers. But we believe that the measures we propose, to give business ratepayers a greater say in their local authorities' policies, as well as to provide direct help and to up-date the rate base, will be of significant benefit.

**Q3. Why not abolish rates on empty commercial property as well as empty industrial property?**

A3. We must set priorities since losses in rate income have to be made up by other ratepayers or by taxpayers. Local authorities have discretion to take account of local circumstances in deciding whether to levy empty property rates. Where there is still a market for empty property, as there is in many areas for empty commercial property, it must be right to encourage the full use of such property.

## RSG SETTLEMENT 1984/85: SPEAKING NOTES

1. In the current year, 1983/84, English local authorities are budgeting to overspend target by £770 million, or 3.8%. That was despite the fact that the 1983/84 public expenditure provision had already been increased by over £1 billion to take account of local authorities' overspend in 1982/83.
2. Each year we have been forced to increase the following year's provision in the light of authorities' budgeting to overspend. We have again increased provision, this time by some £500 million.
3. Even that big an increase, however, does not allow us to set easy targets for authorities next year. Far from it: we have not disguised the fact that real terms reductions are required from all authorities, including those which have tried to meet targets in the past.
4. We have given all authorities provisional targets for 1984/85. The highest spenders are being asked to make cuts of up to 6% in cash from budget this year. That is a very tough target indeed in real terms and we could not reasonably ask for more.
5. Most low-spenders have targets which allow a 3% cash increase from budget this year. That too is tough, because the lowest-spenders have already found some of the obvious economies. But many low-spenders have not reduced the volume of their spending in the last 5 years. Unless we restrict cash increases even for the lowest spenders we risk undoing what progress there has been.
6. Three other points on targets. If there is shortfall between budget and outturn, to that extent the maximum cash increase over actual expenditure will be more than 3%.
7. Second, local government themselves can influence what that 3% will buy; on average, about two-thirds of their current expenditure is on staff costs; the lower the wage settlements this year, the less the real terms effect of our targets.
8. Third, many local authorities simply take the % cash increase allowed, subtract it from a forecast inflation figure, and allege that the resulting % is the real terms cut on service levels. That leaves out of account any scope for

economies, eg through privatising. I cannot believe that in even the low-spending authorities there is not still some scope for further economies.

9. We have also announced proposals for grant and holdback. The grant percentage is close to this year's - about 52% compared with 52.8% this year. But the holdback scheme is more severe: this year in rate poundage terms the penalties in lost grant are 1, 1, 5, 5, 5, for percentage points of overspending; next year we are proposing 2, 4, 8, 9, 9. Unless we make it more severe, we do not increase the grant pressure on the highest overspenders: they have already rated to meet this year's level of holdback, and we need to put **more** pressure on them to deter them from further overspending.

10. Many authorities would prefer a gentler lead-in, ie a repeat of the 1, 1 .... that we had this year. But that concession this year in fact meant that many authorities did not take their target seriously and budgeted up to 2% above it - because the penalty for doing that was negligible. For next year the penalty for overspending by up to 1% is not too painful, ie up to 2p in lost grant. But beyond that, rightly, it gets more so.

11. It is the time of year for scare-stories on rate increases, even from Conservative authorities. The fact is that by keeping the grant percentage at about the same level as this year we have ensured that if authorities spend at target, rate increases will on average be very low. There will always be some exceptions, because of grant distribution changes. But the message is that authorities must plan to hit target. If they do their ratepayers will see the benefit.

**RSG SETTLEMENT 1984/85: PROPOSALS ALREADY ANNOUNCED**

1. The main proposals for 1984/85 so far announced are:
  - a. **Individual spending targets** for all authorities: most low-spenders to get a 3% cash increase over budget 1983/84; and most high-spenders to get cash cuts from budget 1983/84 of up to 6%.
  - b. **Current expenditure** to be £20,345 million, ie £850 million more than in the 1983/84 RSG settlement, £550 million more than in the Public Expenditure White Paper for 1984/85, and about the same in cash as local authorities are budgeting to spend in 1983/84.
  - c. **Exchequer grant** to be £11,870m or about 52% of relevant expenditure, compared with £11,780m or 52.8% in the 1983/84 settlement.
  - d. **Grant holdback** for authorities overspending target in 1984/85 to be much tougher than under the 1983/84 scheme: in rate poundage terms the 1984/85 penalty in lost grant to be 2, 4, 8, 9, 9 .... for percentage points of overspending, compared with 1, 1, 5, 5, 5 .... for 1983/84.

## RSG SETTLEMENT: QUESTION AND ANSWER NOTES

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**TOUGHNESS OF THE SETTLEMENT**

- Q1. **Isn't the RSG settlement going to force rates up in 1984/85 even for responsible authorities, and thus make them liable to be selected for rate limitation?**
- A1. No. We have kept the grant rate at about 52%, very close to the grant rate in 1983/84. That means that if authorities spend at target rate increases on average should be very low. In many cases there could be rate reductions. But anyway we have made it clear in proposing selective rate limitation that we will be looking only at the very highest spenders, probably only 12-20 authorities altogether; and that authorities below GRE or spending below £10 million will be excluded.
- Q2. **Isn't the true grant reduction much bigger because of the penal holdback scheme proposed?**
- A2. Holdback only applies if an authority exceeds its target. We have given them early notice of targets to enable them to plan to avoid doing that. For authorities which plan to overspend, it is right that they should be entitled to less grant. We have proposed a tougher holdback scheme than this year's to increase the pressure on overspending authorities to make the necessary expenditure reductions.
- Q3. **Aren't the targets so tough that most authorities are bound to incur holdback?**
- A3. Targets are rightly toughest for the highest spenders: those who spend most have most scope for economies. The lowest spenders get a 3% cash increase over their budgets this year. If, as is usual, they spend less than they budget, the increase over actual expenditure will be more than 3%. The severity of that target depends on how fast local government costs go up: if low wage settlements are achieved it becomes that much easier. I hope that all authorities will make every effort to meet their target next year. Where they do not do so, their ratepayers will pay the price.



Q4. Why reduce the grant rate again?

A4. First, because reducing the proportion of local government spending supported by the Exchequer increases local accountability. Second, because it maintains pressure on local government across the board to find the economies necessary if their expenditure is to be in line with the Government's plans. Any way the Government is proposing to slow down the rate of reduction in the percentage in recognition of the pressure already exerted by earlier reductions.

#### IMPACT ON RATES

Q5. What is the Government's forecast of the average rate increase next year? How much grant holdback is expected?

A5. That depends entirely on the spending decisions of 413 elected local authorities. We never forecast the average rate increase, because it is not in our control. All I can say is that if authorities spend at target, rate increases should be very low.

#### EFFECTS ON MARGINAL OVERSPENDERS

Q6. Why not have a gentler lead-in to holdback for authorities which try but narrowly fail to hit target?

A6. We had that for 1983/84, when this holdback penalty was only 1p in poundage terms for each of the first 2 percentage points of overspending. The evidence is clear that because of that concession many authorities judged the penalty to be negligible and budgeted to spend up to 2% above target. We must persuade all authorities to take the targets seriously. Moreover, overspending authorities have already rated for holdback at this year's scale, so if we want to deter them from overspending again next year with the threat of high rate increases, we must make the holdback scheme more severe.

**ABOLITION OF GLC AND MCCs - SPEAKING NOTES****THE CASE FOR CHANGE**

1. Experience in the first term of office convinced the Government that the GLC and the Metropolitan County Councils (MCCs) are a superfluous tier of government. These "upper tier" councils are the junior partners in the provision of services, responsible for only one quarter (in London only one sixth) of spending on local services in their areas.
2. Contrast this with the shire countries; there the county councils are responsible for over 80% of spending, but the highly accessible district councils are still valuable in providing important local services. No change is proposed in the shire areas.
3. The GLC and MCCs have sought an outlet for their energies by developing a general strategic role. This leads to conflict with the lower tier authorities (eg on land use planning) and to duplication (eg on economic development). There has also been conflict with central government as authorities have assumed a "mandate" on such issues as defence and foreign policy. With their large rate base and relative remoteness from the ratepayers, they have pursued unrealistic spending policies.
4. Abolition is not motivated by political prejudice; it is the obvious response to the need to eliminate the overheads associated with a superfluous tier of government, and to remove a source of conflict and duplication. The result will be more economical and effective local government.

**THE PROPOSALS**

5. The White Paper "Streamlining the Cities" (published on 7 October) set out detailed proposals for the reorganisation of services. A note showing what will happen to each service is attached. Most will go to the borough or district councils for them to exercise directly, in some cases co-operating informally. For a few services there is a need to have a formal mechanism for the boroughs and districts to operate services jointly. So there will be joint boards for fire, police and public transport in each metropolitan county; for fire in London and for education in inner London.

6. These boards have been referred to as quangos. They are not. A quango is a body whose members are appointed by Ministers. In contrast, the joint boards will be local bodies composed of local councillors appointed by their locally elected authorities. Nor will they be charging ratepayers separately; their precepts will form a clearly identified part of the single bill that will be sent, as now by the borough and district councils.

7. The block grant system will be adjusted to reflect the new division of responsibilities; arrangements will be made for the debt to be serviced in a secure way and for continuing liabilities to be discharged. No unfair burden will fall on particular borough or district councils.

#### SAVINGS AND TRANSITIONAL COSTS

8. There must be potential savings when a whole tier of local government is eliminated. There are inevitable overheads in the operation of a fully-fledged council; and there are a few services in which duplication occurs. Moreover the GLC and MCCs are responsible for over half the overspending of local government. Shifting more spending to the boroughs and districts, which are less remote from ratepayers, will strengthen restraint on spending.

9. We are determined that savings should be made to the benefit of the ratepayer. Boroughs and districts will be subject to the pressures for economy of the block grant system, supplemented by rate limitation, and the Government will monitor changes in staff for the services transferred. The joint boards will be accountable to the boroughs and districts; in addition, to ensure that the boards are being set up economically, the precepts they issue will be subject to approval by the appropriate Secretary of State for the first three years. There will also be powers to specify the boards' levels of manpower or manpower expenditure in this period.

10. Of course there will be some transitional costs - as in all reorganisations. But costs will very soon, perhaps even in the first year, be outweighed by the accumulating savings. Since the 1972-74 reorganisation, which was costly, there has been a major change in the economic climate, and the Government have developed new instruments of control. During the election, Tom King indicated that there could be scope for saving at least £120 million a year (including 9,000 jobs); since then initial indications from a few boroughs and districts suggest that this may, if anything, be an underestimate.

## IMPLEMENTATION

11. The Government are firmly committed to the principle of abolition but are ready to listen to views on detailed implementation. The main legislation will be introduced in the 1984/85 session and will provide for the change to take effect on 1 April 1986.

12. There will also be a Bill this session to deal with the local elections that would otherwise take place for these authorities in May 1985. This Bill will provide that, for their last eleven months, these councils will consist of members nominated by the borough and district councils. The existing GLC and MCC councillors will retire in May 1985 at the end of their term of office - ie when the electoral mandate which they were given in 1981 expires.

## MISCONCEPTIONS ABOUT THE GOVERNMENT'S PROPOSALS

13. Some critics have suggested that there are **very large numbers** of bodies replacing these authorities. In fact there will be three joint boards in each metropolitan county (police, fire and public transport) and two in London (fire and a new ILEA). There are only two proposals for other permanent bodies, an advisory commission on planning in London and a technical body to take charge of managing London's debt, superannuation and legal liabilities. The Government's proposals for London Transport also include a new body; but these proposals are a separate matter not directly related to abolition.

14. It has also been said that it is naive and optimistic to expect local authorities to **work together informally**. It is extraordinary that people in local government should adopt such a negative attitude. There may need to be some new ways of working established but there is much more chance of cooperation between councils that are on an equal footing than there is in the present system where upper-tier authorities have sometimes acted as if they were superior to the boroughs and districts.

15. It has been suggested that **joint boards lack accountability**. But this is not the case. They will be controlled by the councils in each area through their power to appoint the members. The temporary powers that Ministers will have to approve precepts will be of a general nature; to suggest that this amounts to central take-over of local services is misconceived.

16. Some have argued that the proposals **undermine local democracy**. But people will still be able to vote for a local council, and there will be enhanced local accountability as the more accessible borough and districts councils will be responsible for the full range of services. There is no principle that requires there to be two separate local authorities as a safeguard of democracy; single tier local government existed in our major cities (except London) up to 1974.

17. We have been challenged to have a **formal inquiry**, of a wideranging kind. But this could only mean delay when the case for change is overwhelming. There are still many matters of implementation on which the Government will listen to views.

## SUMMARY OF PROPOSALS ON THE REALLOCATION OF GLC AND MCC FUNCTIONS

### A. FUNCTIONS TO BE TRANSFERRED TO BOROUGH AND DISTRICT COUNCILS

#### Functions already shared or carried out concurrently with the lower tier

Planning (including minerals planning and derelict land reclamation)  
 Highways and traffic management  
 Housing\*  
 Support for the arts  
 Historic buildings  
 Civil defence and emergencies  
 Tourism  
 Entertainments licensing\*  
 Archives and Libraries  
 Recreation, parks, and Green Belt land

#### Functions solely the responsibility of the upper tier

Waste regulation and disposal  
 Trading standards and related functions<sup>+</sup>  
 Support and funding for the magistrates' courts service\* and the probation services  
 Coroners  
 School crossing patrols<sup>+</sup>  
 Building control\*  
 Safety of sports grounds  
 Registration of common land and town or village greens  
 Maps etc in relation to rights of way  
 Gypsy sites<sup>+</sup>

### B. FUNCTIONS REQUIRING STATUTORY JOINT ARRANGEMENTS

Police in the Metropolitan Counties  
 Fire  
 Education in inner London  
 Public Transport in the Metropolitan Counties

\*London only

<sup>+</sup>metropolitan counties only

**C. FUNCTIONS REQUIRING OTHER ARRANGEMENTS**

Land drainage and flood protection in London will become the responsibility of the Thames Water Authority.

Certain arts sponsorship will be taken over by the Trustees of national museums and galleries.

**ABOLITION OF GLC/MCCs: QUESTION AND ANSWER NOTES**

	<b>Page</b>
1. General	D3/2
2. Proposals	D3/3
3. Joint Boards	D3/4
4. Constitution of Joint Boards	D3/5
5. Transfer of Staff and Property	D3/6
6. Financial Arrangements	D3/8
7. Costs and Savings	D3/9
8. Implementation	D3/10



**D3. ABOLITION OF GLC/MCCs: QUESTION AND ANSWER NOTES**

**GENERAL**

**Q1 Is abolition a political device to get rid of Labour councils?**

A1 No. The origin of the policy is our perception of the absence of a real role for these councils. Most of these councils have been and could be Conservative controlled. We are handing power to boroughs and districts with various political control.

**Q2 Why abolish authorities as well as capping the rates?**

A2 Restraining expenditure is no substitute for having a fundamentally more economical framework.

**Q3 Why no full investigation? Will the Government cooperate with MCC-commissioned Coopers and Lybrand study of costs?**

A3 No need for full inquiry; it is evident that districts and boroughs provide a good basis for most services. The MCCs and their consultants have access to the White Paper and associated documents.

**Q4 Is there not a case for a strategic non-executive assembly?**

A4 No sufficient task for it, especially as Government is directly involved in major strategic issues (eg Thames Barrier). Difficult to see how a non-executive assembly would operate, except by interference in executive bodies' business.

**Q5 How can you leave the capital city without a voice?**

A5 The Boroughs collectively can speak for London. Besides it is doubtful whether the GLC has "spoken for London".

6 Why have new arrangements that reduce rather than increase accountability?

A6 Accountability will be improved because the boroughs and districts, which are closer to the people and are readily accessible, will be responsible for most services.

Q7 How can you claim that these proposals are "streamlining"?

A7 One authority will become responsible for all services, in its area, directly or indirectly. There will be less overlap, friction and duplication.

#### PROPOSALS

Q8 How will informal cooperation be arranged?

A8 This is for the local authorities to decide. They have plenty of experience of working together.

Q9 Won't formal and informal cooperation mean complex arrangements with 50, 60 or 70 new bodies (boards, committees, quangos)?

A9 Nothing like that many formal new structures; only 20 joint boards are proposed with no more than three in any area. Look at the complexity of organisational structure that exists now; there are over 80 committees altogether within the GLC and the MCCs.

Q10 These proposals mean take over by central government?

A10 No, only a very few specific minor functions will pass to central government, namely:

- 70 miles of roads in London taken over by Secretary of State for Transport;
- listed building consent in London to Secretary of State for the Environment (he already has this responsibility outside London);
- certain arts sponsorship.

Also the following changes involving non local government bodies:

- London Planning Commission to advise on planning in London;
- Royal Commission on Historic Monuments to take over Survey of London;
- Thames Water Authority to take over flood protection and land drainage in London.

**Q11 What about London Transport?**

A11 The Government are proposing, for public transport reasons that the London Buses and Underground should be taken over by the proposed new "London Regional Transport". That is, in many respects, a return to the situation that existed before 1968.

**Q12 Won't these proposals reduce support for the arts?**

A12 The Government are confident that the boroughs and districts will provide an appropriate level of support for local institutions. For a small number of institutions of national importance the Government have proposed special arrangements involving central funding as described in the consultation document.

**Q13 Won't these proposals make it difficult for voluntary bodies to get funding?**

A13 The Government have indicated that they will consider the need for any special action in the light of the response to consultation.

**JOINT BOARDS**

**Q14 How many joint boards proposed?**

A14 Three in each of the six Metropolitan counties (fire, police and public transport), two in London (fire and ILEA), 20 in all. Some districts might take on public transport themselves.

**Q15 Joint boards are quangos?**

A15 No. A quango is a body appointed by Ministers. The joint boards will be local bodies composed of elected members of the borough and district councils appointed by those councils.

**Q16 Joint boards are unaccountable?**

A16 No. The boroughs and districts will be the channel of communication to joint boards and the responsibility for joint boards will rest on their councillors. With a more intelligible system there will be greater real accountability.

**Q17 Would the Government consider having joint boards for more than one function (eg police and fire)?**

A17 We shall listen to suggestions of all kinds, but we do not intend to recreate bodies indistinguishable from those we are abolishing.

**Q18 Why not break up ILEA?**

A18 There are some attractions in such an option. It would have the advantage of bringing the service closer to the ratepayer and improving accountability. The Government consider, however, that this advantage is likely to be outweighed by the problems inherent in breaking up a long-standing and well-understood pattern of provision, and that the disruption involved could not be justified. The White Paper makes it clear that the new arrangement will be kept under review, and that the Government are open to ideas for greater involvement by the borough councils.

**CONSTITUTION OF JOINT BOARDS**

**Q19 Why have political balance requirement?**

A19 To get a wide spread of interests involved in joint boards. We are giving statutory effect to what is already best practice in forming committees in many authorities.

**Q20 How will political balance be enforced?**

A20 It will be a statutory requirement. Obviously it won't be possible to reflect political balance **exactly** in nominations. Individual authorities will have to work out their own method of complying with the statutory requirement. In case of dispute the matter would have to go to the courts.

**Q21 What will be political complexion of joint boards?**

A21 Can't say - this will depend on the political composition of the nominating authorities at the time and the way in which political balance requirement operates.

**Q22 Term of office of joint board members?**

A22 They will have no specified term, but will be recalled at any time by the nominating authority.

**Q23 Why not direct elections to Joint Boards (especially ILEA)?**

A23 Attractions in this, but broad aim of Government proposals is to ensure that responsibility for running services rests with boroughs and districts. In case of joint board services this is achieved through collective borough/district responsibility for the joint board. A directly elected authority would be apart from the boroughs/districts; we believe that this would remove any incentive for joint board members to consider the **total** burden being placed on ratepayers.

#### **STAFF AND PROPERTY**

**Q24 How will staff be transferred?**

A24 This will be decided in the light of consultations. In 1972 many staff were transferred in groups. It might be feasible to do this for readily identifiable staff engaged on services going to joint boards. But most services will be divided amongst boroughs and districts; they will recruit directly the staff they need.

**25 Will staff be protected?**

A25 A staff Commission will be established and there may be arrangements, where appropriate, to give staff affected first refusal for posts with successor authorities. There will be full consultations with staff representatives on all matters affecting their interests; TUC Local Government Committee have been told this.

**Q26 What will the Staff Commission do?**

A26 It will be charged with looking after the interests of all staff affected by the proposals. It will be independent of the receiving bodies.

**Q27 What will happen to existing pensions and similar payments?**

A27 No-one receiving a pension or other continuing payment from the GLC or a Metropolitan County need worry. Such payments will continue, and all such rights are safeguarded.

**Q28 Will there be redundancies?**

A28 Yes. Voluntary redundancy could achieve substantial reductions, but some compulsory redundancies cannot be ruled out. The level of redundancies will be reduced if authorities take a responsible attitude to recruitment in the interim.

**Q29 What about recruitment between now and abolition?**

A29 The Government hope that authorities will act responsibly towards their ratepayers and towards their staff. They should fill only essential vacancies.

**Q30 Won't there be duplication through the breaking up of specialist teams (eg MCC derelict land services)?**

A30 We expect the successor authorities to set up effective co-operative arrangements for the use of specialist staff and equipment, where this is the most economical thing to do.

**Q31 What will happen to property?**

A31 In general property will be transferred to the authority or Board taking responsibility for the function for which it is required.

**Q32 What about County Hall?**

A32 Any genuinely surplus property will be disposed of at some stage, to the benefit of the ratepayers concerned.

#### **FINANCIAL ARRANGEMENTS**

**Q33 What will be the effect of abolition on rates?**

A33 One of the purposes of abolition is to enable services to be provided more effectively and more efficiently. This should mean that rates will be lower than they would have been if the GLC/MCCs had continued to exist.

**Q34 Won't the removal of the GLC precept mean a windfall gain for ratepayers in central London, at the expense of ratepayers elsewhere?**

A34 No. The existing balance between ratepayers in different parts of London is intended to be maintained. This will require an extension of the London Rates Equalisation Scheme. This is explained in the consultation document on "The Disappearance of the GLC Precept".

**Q35 Won't there be a disproportionate burden on some boroughs/districts where GLC/MCC obligations are concentrated in particular areas (eg the Crystal Palace sports centre, ex GLC housing already transferred to the boroughs)?**

A35 The general aim is to ensure that there should be no undue financial advantages or disadvantages for ratepayers of individual authorities as a result of abolition. Special arrangements may be necessary to achieve this in some cases. This is the subject of a separate consultation document.

**36 Won't boroughs and districts have to put up their rates?**

A36 Yes, of course, they will be paying directly for some of the services now funded out of the upper tier precept. But it is the size of the final bill to the ratepayer that matters and there will be savings there.

**Q37 How will the arrangements for the selective control of rates be affected by abolition?**

A37 The selective rate limitation scheme will of course apply to the borough and district councils taking on new functions and to joint boards in exactly the same way as to other local authorities - ie there will be Government control only if an authority "overspends". The arrangements will make allowance for the new responsibilities they have taken on. In addition the precepts of each joint board will be subject to approval by the appropriate Secretary of State for the first three financial years.

**Q38 Won't abolition prejudice the credit-worthiness of the GLC/MCC's?**

A38 No. After abolition the existing debt of each authority will continue to be managed by a single body with all the necessary expertise. The debt will be funded by all the successor bodies; it will therefore continue to be backed by the rateable resources of the whole area.

**Q39 How many precepts will ratepayers face?**

A39 In the metropolitan counties there will be three main new ones (police, fire and public transport) in place of the one from the county. Over London as a whole there will be two **new main** precepts (fire and London Regional Transport). There will also continue to be one for the Metropolitan Police. In inner London there will continue to be a precept for education. There will still, as now, be one single rate demand covering the borough or district rate and any precepts. Rate demands will show how much will go to each rating and precepting authority.

**COSTS AND SAVINGS**

**Q40 What savings in costs/staff do Government expect? Why no estimate in White Paper?**



A40 Precise savings will depend on detailed decisions by the successor authorities and bodies. But the change takes place in a general financial and economic climate which encourages savings. The Government are convinced that substantial savings can be made, and will take steps to ensure that they are achieved. Too soon to give an accurate estimate but there is scope for saving at least £120 million a year (including 9,000 jobs).

#### **IMPLEMENTATION**

**Q41 Why not do it by April/May 1985, avoid transitional councils?**

A41 Not possible, need for reasonable consultation period precludes main legislation this session.

**Q42 Why have transitional councils?**

A42 Present councillors have no legitimate role beyond May 1985, when their electoral mandate expires. Appropriate to involve boroughs and districts who will take over fully in 1986.

**Q43 Why not introduce the transitional councils in May 1984?**

A43 The term of office of the elected members of the GLC and MCCs lasts until May 1985. It would not be appropriate to cut short the electoral mandate they were given in 1981.

**Q44 How big will the transitional councils be?**

A44 We will discuss this, possible range is from present size, to avoid disturbance to structures in the council, to sizes proposed for joint boards.

**Q45 What will be the political composition of transitional councils?**

A45 Not clear, depends on the size and the nominations made by the authorities, to reflect the political balance in the constituent authorities at the time (ie after the local elections due in May 1984).

**Q46 Will there be adequate consultation?**

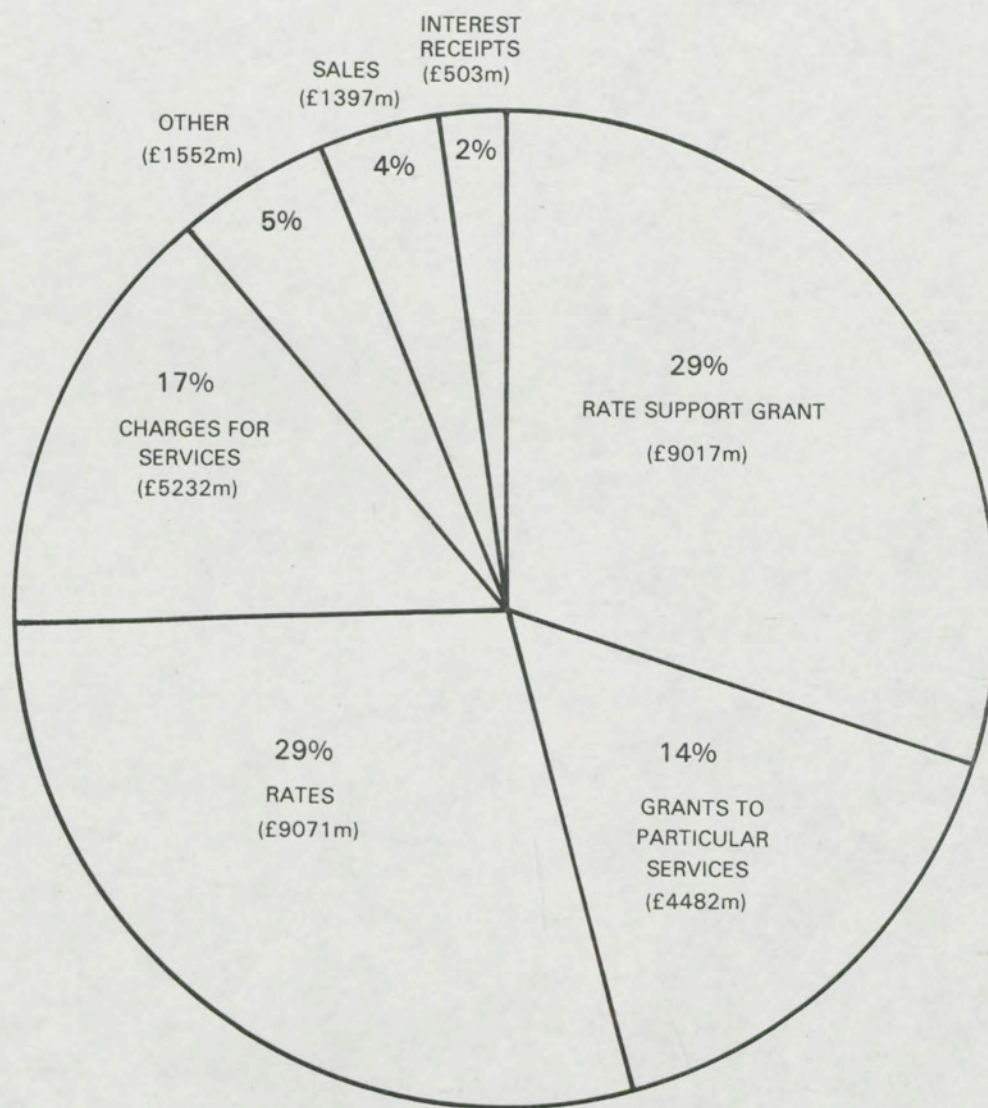
A46 The first main period of consultation runs until 31 January and the Government welcome comments on the White Paper and the supplementary documents that have been issued. After that there will continue to be extensive consultation on detailed preparations for the change.

**E. RATE LIMITATION, ABOLITION OF GLC AND MCCs, AND RSG SETTLEMENTS: TIMETABLE OF MAIN EVENTS**

December 1983	Rate Support Grant Order published. Rate Limitation Bill introduced.
January 1984	Second Reading of Rate Limitation Bill. Rate Support Grant Order debated.
Spring 1984	Paving Abolition Bill introduced.
July 1984	Royal Assent for Paving Abolition Bill. Royal Assent for Rate Limitation Bill. Selection of authorities for rate limitation.
November 1984	Main Abolition Bill introduced. Second Reading of Main Abolition Bill.
December 1984	Rate Support Grant Order published.
January 1985	Rate Support Grant Order debated Proposed rate limits for 1985/86 published.
April 1985	Rate limits for 1985/86 for selected authorities come into force. Substitute councils appointed for GLC & MCCs.
July 1985	Royal Assent for main Abolition Bill.

## LOCAL AUTHORITIES (ENGLAND) 1981-82

Chart 1 : All income by source.

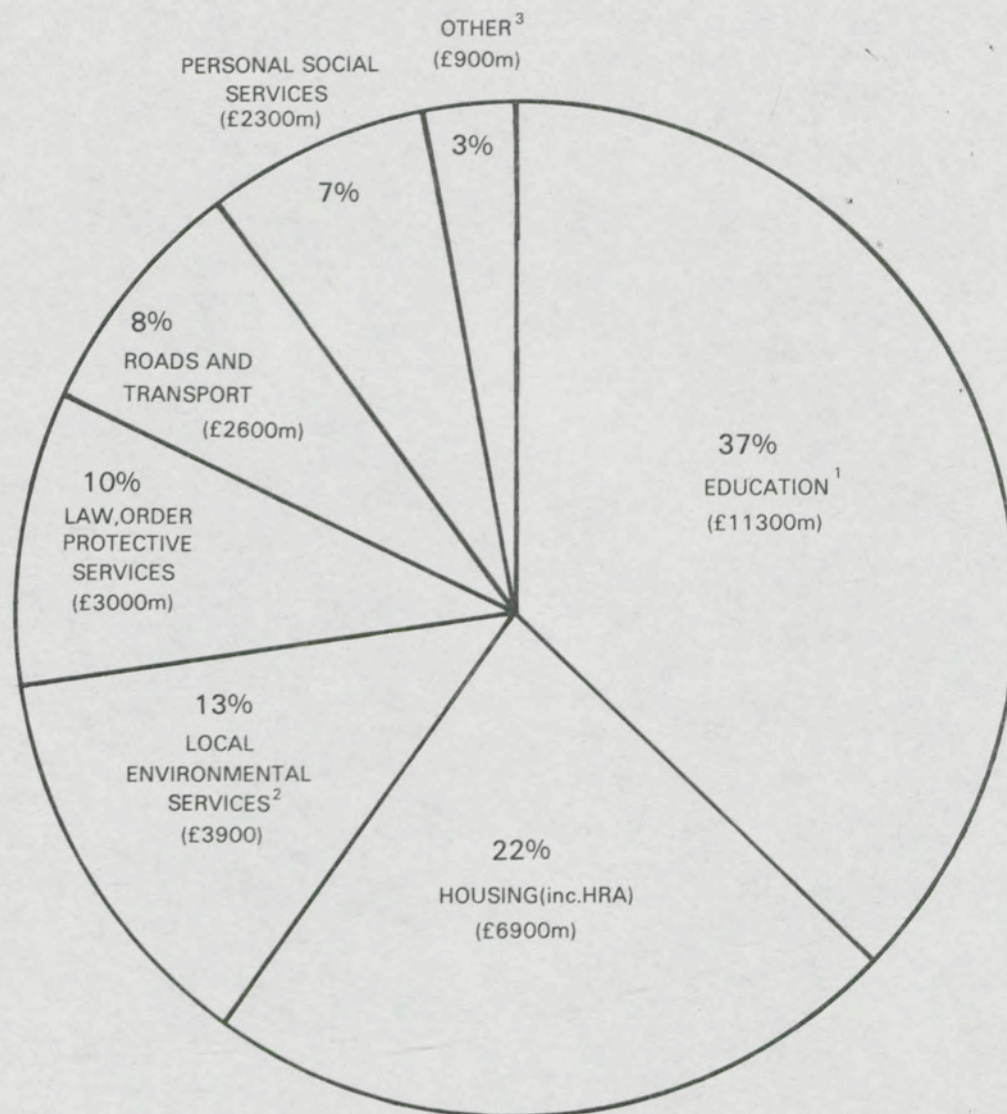


Note: this chart analyses gross income to all accounts,  
adjusted (as far as possible) to exclude payments between accounts.

Cartographic Services MS  
Department of the Environment  
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## LOCAL AUTHORITIES (ENGLAND) 1981-82

Chart 2. All expenditure by service



1. Including Libraries, Museums and Art Galleries.

2. Excluding general administration re-charged to services.

3. Including trading services and employment services.

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Department of the Environment  
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Note: this chart covers gross expenditure by all accounts, adjusted (as far as possible) to exclude payments between accounts.

## Rates Bill

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### EXPLANATORY AND FINANCIAL MEMORANDUM

The Bill gives effect to proposals for rate limitation and reform of the rating system in England and Wales contained in the White Paper "Rates" (Cmnd. 9008).

#### PART I

*Clause 1* gives the Secretary of State power to prescribe a maximum for the rate made or precept issued by any local authority to which Part I applies and which is designated by him.

*Clause 2* provides for the designation of authorities whose total expenditure appears to the Secretary of State to be over their grant-related expenditure or £10m (whichever is the greater) and to be excessive and unreasonable having regard to general economic conditions. The figure of £10m may subsequently be increased by order. Designation will be according to the same principles for all authorities within a class.

*Clause 3* enables the Secretary of State to determine an expenditure level for an authority for the purpose of prescribing a maximum rate or precept and imposes a duty on him to notify it to the authority. It allows the authority to apply for a re-determination of the level and enables the Secretary of State to confirm the original level or to re-determine it, and to impose any requirements he thinks appropriate. It provides that failure to comply with these requirements may be treated as a ground for designating an authority in a subsequent year.

*Clause 4* imposes a duty on the Secretary of State to notify an authority of the proposed maximum rate or precept limits as soon as practicable after the Rate Support Grant Report, to base them on the appropriate expenditure levels and any block grant entitlement and equalisation contribution, and enables him in doing so to take account of any financial reserves. It provides for the maximum rate or precept, if agreed by the local authority, to be specified in a direction or, if not agreed, in an order subject to approval by the House of Commons.

*Clause 5* enables the Secretary of State to prescribe an interim maximum rate or precept to have effect until replaced by a final maximum, and imposes a duty on the Secretary of State to replace it as soon as practicable. It also provides for the replacement of any rate or precept made or issued by reference to an interim maximum.

*Clause 6* prescribes the form in which a maximum for a rate or precept will be expressed, provides that a rate or precept will be invalid if it is over the maximum, and enables the Secretary of State to provide for cases where the rate or precept is not levied as a uniform rate in the pound.

*Clause 7* requires the notice of a rate which is subject to a maximum to state that it complies with the maximum and to be published in a local newspaper. A statement of compliance must also be included in every rate demand note and in every precept which is subject to a maximum.

*Clause 8* imposes a duty on designated authorities to supply information for setting maximum rates and precepts, enables the Secretary of State to make assumptions if the information is not provided and authorises the use of information obtained from other sources.

#### PART II

*Clause 9* gives the Secretary of State power, after consulting associations of local authorities and obtaining the approval of both Houses of Parliament, to control the rate and precept levels of all authorities to which Part I of the Bill applies.

*Clause 10* provides for ending of the procedure for selective designation on the introduction of general control but enables the Secretary of State to exclude authorities spending below an amount prescribed by order.

*Clause 11* modifies the provisions of Part I in their application by virtue of Part II. It imposes a duty on the Secretary of State to consult associations of local authorities before determining expenditure levels; excludes the power to fix an interim maximum; and enables him to vary maximum rate and precept limits.

*Clause 12* makes it possible for Part II to be introduced separately for England and Wales and applies the provisions of Part I with respect to the supply of information by local authorities.

#### PART III

*Clause 13* imposes a duty on authorities within Part I to consult representatives of industry and commerce before determining their expenditure and the means of financing it.

*Clause 14* provides that occupiers who do not receive rate demand notes are to receive from rating authorities a copy of the information contained in or sent with rate demand notes.

*Clause 15* introduces two Schedules which comprise technical and procedural changes to rating and valuation law, and pro-

vides for the repeal of Section 170 of the Local Government Act 1972 regarding schemes for equalisation of rates in metropolitan counties.

#### PART IV

*Clauses 16, 17 and 18* deal with expenses, commencement and interpretation.

##### *Schedule 1*

*Paragraph 1* is an interpretation provision.

*Paragraph 2* corrects a technical anomaly affecting the valuation of commercial property.

*Paragraph 3* repeals the special provision in the General Rate Act 1967 which deals with the re-assessment of public houses between revaluations to take account of changes in the volume of trade.

*Paragraphs 4 and 5* provide power to rate the railway and canal undertakings of the British Railways Board, London Transport Executive and British Waterways Board by reference to a statutory formula.

*Paragraph 6* makes consequential amendments concerned with the rating of the British Gas Corporation.

*Paragraph 7* provides power to rate private electricity generators and suppliers by a statutory formula.

*Paragraph 8* removes the rateable value limits on the right to pay rates by instalments.

*Paragraphs 9-16* contain a number of minor changes to the procedure for altering the valuation list.

*Paragraph 17* restricts requirements to keep old rating records.

*Paragraph 18* repeals section 112 of the General Rate Act 1967 which deals with the treatment of certain receipts under that Act.

*Paragraph 19* widens the circumstances in which rate relief is available to institutions for the disabled.

*Schedule 2* enables valuation officers to treat groups of moorings as a single hereditament.

##### *Financial effects of the Bill*

The Bill has financial implications for both central and local government. The power in clause 1 to set rate or precept limits for local authorities designated under clause 2 will reduce the expenditure of those authorities. Its implementation might entail increased central government administrative expenditure of

about £1 million per year. There would also be a small increase in the administrative costs of the designated local authorities.

The power in clause 9 to control the rates and precepts of authorities generally is a reserve measure for use only if there is widespread failure by local authorities to contain their expenditure and rates. If the power were used, it would lead to increased central government administrative expenditure; the exact level would be dependent on the staff costs prevailing at that time. There would be a small increase in local authorities' administrative costs, but this would be greatly exceeded by the general reduction in their expenditure.

Consultation with representatives of industry and commerce (clause 13) would require authorities to make certain information more widely available but should not lead to significant extra costs. Similarly the extra costs of sending copies of rate information to occupiers who do not pay rates direct (clause 14) should be minor. The new rating procedures set out in Schedule 1, including those on old rating records, could produce savings of about £ $\frac{3}{4}$  million per year.

The provision of rate relief for premises predominantly used for the disabled (paragraph 19 of Schedule 1) will reduce the rate income of local authorities. There will be a consequent increase in central government grants to local government since 90 per cent. of this loss is met directly by grant and the remaining local contribution is eligible for Rate Support Grant.

#### *Effects on public service manpower*

The introduction of selective control of rates and precepts (clause 1) will mean an increase of about 45 in central government manpower; the precise number will depend on the number of authorities designated and the number of those which seek a re-determination of their expenditure levels. The increase will be more than offset by the new procedures outlined in paragraphs 9-16 of Schedule 1 which should provide staff savings of up to 70 staff in the Valuation Office. Provisions for rating by statutory formula would slightly increase the workload of central government.

Should the reserve power of general rate limitation be used there would be a greater increase in central government manpower. This cannot be estimated at present and would be strongly influenced by the number of local authorities which sought a re-determination of expenditure levels.

The provisions in paragraphs 3 and 17 of Schedule 1 and in Schedule 2 will also achieve savings.

The rate limitation provision of the Bill will not have substantial manpower implications for local authorities. Any increases will be more than offset by manpower savings to keep within rate or precept limits.



# Rates Bill

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## ARRANGEMENT OF CLAUSES

### PART I

#### SELECTIVE LIMITATION OF RATES AND PRECEPTS

Clause

1. Power to prescribe maximum rates and precepts.
2. Designation of authorities.
3. Expenditure levels.
4. Determination of maximum rate or precept.
5. Interim maximum.
6. Form and effect of maximum.
7. Certificates of compliance.
8. Information.

### PART II

#### GENERAL LIMITATION OF RATES AND PRECEPTS

9. Power to introduce general control.
10. Authorities subject to general control.
11. Expenditure levels and variation of maximum.
12. Supplementary provisions.

### PART III

#### OTHER PROVISIONS RELATING TO RATES AND PRECEPTS

13. Duty to consult industrial and commercial ratepayers.
14. Notice of rates payable in respect of dwelling-house.
15. Miscellaneous amendments and repeals.

### PART IV

#### SUPPLEMENTARY

16. Expenses.
17. Commencement.
18. Short title, interpretation and extent.

## SCHEDULES:

- Schedule 1—Miscellaneous amendments and repeals.  
 Schedule 2—Rating of moorings.

DRAFT  
 OF A  
**B I L L**  
 TO

Enable the Secretary of State to limit the rates made and A.D. 1983  
 precepts issued by local authorities; to require local  
 authorities to consult representatives of industrial and  
 commercial ratepayers before reaching decisions on  
 expenditure and the means of financing it; to require  
 notice of the rates payable in respect of a dwelling-  
 house to be given to any occupier not in receipt of a  
 demand note; and to make other amendments relating  
 to rates.

**B**E IT ENACTED by the Queen's most Excellent Majesty, by and  
 with the advice and consent of the Lords Spiritual and  
 Temporal, and Commons, in this present Parliament  
 assembled, and by the authority of the same, as follows:—

5

## PART I

## SELECTIVE LIMITATION OF RATES AND PRECEPTS

**1.**—(1) The Secretary of State may, in accordance with the Power to  
 provisions of this Part of this Act, prescribe a maximum for the prescribe  
 rate made or, as the case may be, the precept issued for any maximum  
 10 financial year by an authority to which this Part of this Act rates and  
 applies and which is designated by him in relation to that year precepts.  
 in accordance with those provisions.

(2) Where an authority is designated as aforesaid in relation  
 to a financial year its powers and duties in respect of the making  
 15 of a rate or issuing a precept for that year shall have effect  
 subject to the provisions of this Part of this Act.

## PART I

(3) This Part of this Act applies to—

- (a) the council of a county or district ;
- (b) the Greater London Council, the council of a London borough and the Common Council of the City of London ;
- (c) the Inner London Education Authority ; and
- (d) the Council of the Isles of Scilly.

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(4) A maximum prescribed under this section for a rate shall apply to the rate exclusive of any part made for giving effect to a precept issued to the rating authority by another authority to which this Part of this Act applies or by the Receiver for the Metropolitan Police District.

(5) In the case of the Inner London Education Authority the power to prescribe a maximum under this section shall be construed as a power to prescribe a maximum for such part of any precept issued by the Greater London Council as is attributable to expenditure of the Authority ; and any maximum prescribed under this section in the case of the Greater London Council shall apply only to such part of any precept issued by the Council as is not attributable to such expenditure.

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Designation of authorities.

2.—(1) The authority or authorities in whose case a maximum is to be prescribed under section 1 above for any financial year shall be designated by the Secretary of State in a report laid before the House of Commons in the preceding financial year ; and on laying any such report the Secretary of State shall serve on the authority or, as the case may be, each of the authorities designated to it a notice stating that the authority has been so designated.

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(2) The Secretary of State shall not in a report laid under subsection (1) above in any financial year designate an authority unless it appears to him from the best information available to him that its total expenditure in that year is likely—

- (a) to exceed its grant-related expenditure for that year or £10 million, whichever is the greater ; and
- (b) to be excessive and unreasonable having regard to general economic conditions.

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(3) The Secretary of State may by an order made by statutory instrument increase the amount specified in subsection (2)(a) above, but any such order shall be subject to annulment in pursuance of a resolution of the House of Commons.

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(4) The power to designate an authority shall be exercised in accordance with principles determined by the Secretary of State and, in the case of an authority falling within any of the

## PART I

classes specified in subsection (5) below, those principles shall be the same for all authorities falling within that class.

(5) The classes referred to in subsection (4) above are—

- (a) councils of metropolitan counties ;
- (b) councils of non-metropolitan counties ;
- (c) councils of metropolitan districts ;
- (d) councils of non-metropolitan districts ;
- (e) councils of inner London boroughs ; and
- (f) councils of outer London boroughs.

(6) Any report under subsection (1) above shall contain a statement of the principles in accordance with which the authority or authorities included in the report have been designated.

(7) Separate reports and orders may be made under this section in relation to England and Wales respectively.

(8) References in the following provisions of this Part of this Act to a designated authority are to an authority designated under this section.

3.—(1) For the purpose of enabling the Secretary of State to prescribe a maximum under section 1 above for the rate made or precept issued by a designated authority the Secretary of State shall determine a level for its total expenditure in the financial year for which the maximum is to have effect.

(2) The power to determine a level for the total expenditure of a designated authority under subsection (1) above shall be exercised in accordance with principles determined by the Secretary of State and, in the case of an authority falling within any of the classes specified in section 2(5) above, those principles shall be the same for all authorities falling within that class.

(3) The Secretary of State shall serve on each designated authority a notice stating the level determined by him in the case of that authority.

(4) Any authority on which a notice is served under subsection (3) above may, within the period specified in the notice, apply to the Secretary of State for a re-determination of the level stated in the notice at a greater amount ; and any such application shall be accompanied by such information in such form as the Secretary of State may require.

(5) Where an application is made in accordance with subsection (4) above the Secretary of State may, after considering the information submitted with it, any additional information furnished by the applicant and any other matters that he thinks

Expenditure levels.

**PART I** relevant, either confirm his original determination or re-determine the level at a greater or smaller amount.

(6) Where under subsection (5) above the Secretary of State confirms his original determination or re-determines a level at a greater amount he may impose on the authority in question such requirements relating to its expenditure or financial management as he thinks appropriate; and it shall be the duty of the authority to comply with any such requirements and to report to the Secretary of State whenever he so directs on the extent to which those requirements have been complied with. 10

(7) The duties of an authority under subsection (6) above shall be enforceable at the suit of the Secretary of State; and where an authority fails to comply with any such duty the Secretary of State may designate the authority under section 2 above in relation to a subsequent financial year without regard to subsection (2) of that section. 15

Determination of maximum rate or precept.

1963 c. 33.

4.—(1) As soon as practicable after the Rate Support Grant Report for any financial year has been laid before Parliament the Secretary of State shall serve on each designated authority a notice stating the maximum which he proposes to prescribe under section 1 above for the rate made or precept issued by that authority for that year. 20

(2) The Secretary of State shall determine that maximum by reference to—

- (a) the level of expenditure determined or re-determined by him for the authority under section 3 above; 25
- (b) the block grant (if any) which he estimates will become payable to the authority in question; and
- (c) in the case of an authority affected by a scheme under section 66 of the London Government Act 1963 (equalisation of rates), any contribution to be made by or to the authority in pursuance of the scheme; 30

and in determining that maximum the Secretary of State may take into account any financial reserves available to the authority.

(3) If— 35

- (a) the proposed maximum stated in a notice served on a designated authority under subsection (1) above is accepted by the authority within the period specified in the notice; or
- (b) a designated authority and the Secretary of State agree on a different maximum, 40

the power of the Secretary of State to prescribe a maximum under section 1 above in the case of that authority for the financial year in question shall be exercised by specifying in a direc-

tion in writing served on the authority a maximum equal to that stated in the notice or agreed with the authority, as the case may be.

(4) In any other case the power of the Secretary of State to prescribe a maximum under section 1 above shall be exercised by specifying by order a maximum equal to or greater than that stated in the notice served on the authority in question. 5

(5) The power to make an order under subsection (4) above shall be exercisable by statutory instrument and no such order shall be made unless a draft of it has been laid before and approved by a resolution of the House of Commons. 10

(6) An order under subsection (4) above may relate to two or more authorities.

5.—(1) If in the case of any designated authority no maximum has been prescribed under section 1 above before the relevant date, the Secretary of State may prescribe an interim maximum under this section by a direction in writing served on the authority. Interim maximum. 15

(2) For the purposes of subsection (1) above the relevant date in relation to a maximum under section 1 above for any financial year is—

- (a) in the case of a rate, 1st March; or
- (b) in the case of a precept, 15th February,

in the preceding financial year.

(3) An interim maximum shall have effect until replaced by a maximum prescribed under section 1 above (a "final maximum"); and where an interim maximum is prescribed in the case of any authority the Secretary of State shall as soon as reasonably practicable replace it with a final maximum. 25

(4) If an authority in the case of which an interim maximum is prescribed makes a rate or issues a precept by reference to the interim maximum and the final maximum is higher— 30

- (a) a substituted rate or precept complying with the final maximum may be made or issued by the authority under section 3 of the Local Government Finance Act 1982 without regard to subsection (2) of that section (which limits the estimated product of a substituted rate or precept by reference to the estimated product of the rate or precept for which it is substituted); and 35
- (b) that subsection shall not prevent a substituted rate being made by any other authority in pursuance of subsection (4)(a) of that section for giving effect to 40

**PART I**

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Interim maximum.

1982 c. 32.

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## PART I

a precept substituted in accordance with paragraph (a) above.

(5) Section 1(4) and (5) above shall apply to an interim maximum as they apply to a final maximum.

Form and  
effect of  
maximum.

6.—(1) Any maximum prescribed under this Part of this Act for a rate shall be expressed as a limit on the amount in the pound of the rate exclusive of any such part as is mentioned in section 1(4) above; and a rate to which a maximum is applicable under this Part of this Act shall be invalid if—

- (a) the amount in the pound of the rate (exclusive of any such part) exceeds that limit; or
- (b) any part of the rate is made for giving effect to a precept which is invalid under subsection (2) below.

(2) Any maximum prescribed under this Part of this Act for a precept or, in a case within section 1(5) above, for part of a precept shall be expressed as a limit on the amount in the pound of the precept or part; and a precept to which a maximum is applicable under this Part of this Act shall be invalid if the amount in the pound of the precept or, as the case may be, of the relevant part of it exceeds that limit.

(3) The Secretary of State may by order make provision with respect to the application of any such limit as is mentioned in subsection (1) or (2) above in cases where the rate or precept or, as the case may be, the relevant part of the rate or precept falls to be levied otherwise than at a uniform rate in the pound.

(4) The power to make an order under subsection (3) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

(5) Separate orders may be made under subsection (3) above in relation to England and Wales respectively.

Certificates of  
compliance.  
1967 c. 9.

7.—(1) Where a rate is subject to a maximum under this Part of this Act the notice of the rate given under section 4 of the General Rate Act 1967—

- (a) shall include a statement signed by the proper officer of the rating authority to the effect that the rate complies with the maximum; and
- (b) shall (without prejudice to any other method of publication allowed by that section) be published in a newspaper circulating in the area of the authority;

and a statement to the same effect signed by the proper officer of the authority shall be included in every demand note on which the rate is levied.

## PART I

(2) Where a precept is subject to a maximum under this Part of this Act the precept shall include a statement signed by the proper officer of the precepting authority to the effect that the precept complies with the maximum.

(3) Where a rate gives effect to a precept which is subject to a maximum under this Part of this Act, then—

10 (a) if the rate falls within subsection (1) above, the statements required by that subsection shall include a statement to the effect that the precept complies with the maximum; and

15 (b) if the rate does not fall within that subsection, the requirements of that subsection shall apply to the notice of the rate and the demand notes on which it is levied with the substitution for the reference to the rate in sub-paragraph (a) of a reference to the precept.

(4) Subsection (1) above shall apply to the City of London with the substitution for the reference to section 4 of the said Act of 1967 of a reference to section 20(1) of the City of London (Union of Parishes) Act 1907.

25 (5) The statements required by subsections (2) and (3) above in a case within section 1(5) above shall be to the effect that the relevant part or parts of the precept comply with the maximum applicable to that part or, as the case may be, each of those parts.

8.—(1) A designated authority shall furnish the Secretary of State with such information as he may require for the purpose of exercising his powers under this Part of this Act; and if any such information is not furnished within such time as he may require he may exercise those powers on the basis of such assumptions as he thinks appropriate.

(2) The Secretary of State may use for the purpose of exercising his powers under this Part of this Act any information obtained by him under section 168 of the Local Government Act 1972 (local financial returns), section 65 of the Local Government, Planning and Land Act 1980 (information for purposes of block grants) or under any other enactment.

## PART II

## GENERAL LIMITATION OF RATES AND PRECEPTS

Power to  
introduce  
general  
control.

9.—(1) Subject to the provisions of this section, the Secretary of State may make an order bringing sections 10 and 11 below into force on such date as may be specified in the order. 5

(2) Before making an order under this section the Secretary of State shall consult such associations of local authorities as appear to him to be concerned and any local authority with which consultation appears to him to be desirable.

(3) No order shall be made under this section unless a draft 10 of the order has been laid before and approved by a resolution of each House of Parliament.

Authorities  
subject to  
general  
control.

10.—(1) Section 2 above shall not apply after the date on which this section comes into force and, subject to subsection (2) below, the other provisions of Part I of this Act shall have 15 effect as if every authority to which that Part applies were a designated authority in relation to each financial year beginning after that date.

(2) If it appears to the Secretary of State from the best information available to him that the total expenditure of an 20 authority in any financial year is not likely to exceed such amount as may be prescribed by an order made by him for the purposes of this subsection, he may by a notice in writing served on that authority exempt it from the operation of subsection (1) above in relation to the next financial year. 25

(3) The power to make an order under subsection (2) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

Expenditure  
levels and  
variation of  
maximum.

11.—(1) Before determining levels of total expenditure under section (3) above for the authorities treated as designated by 30 virtue of section 10 above the Secretary of State shall consult such associations of local authorities as appear to him to be concerned.

(2) In the case of an authority treated as designated by virtue of section 10 above section 5 above shall not apply but any 35 maximum prescribed by an order under section 4(4) above may be—

(a) increased by a direction in writing served by the Secretary of State on that authority; or

(b) reduced by an order made by the Secretary of State. 40

## PART II

(3) If an authority has made a rate or issued a precept by reference to a maximum which is subsequently increased under subsection (2)(a) above—

5 (a) a substituted rate or precept complying with the higher maximum may be made or issued by the authority under section 3 of the Local Government Finance Act 1982 c. 32. 1982 without regard to subsection (2) of that section; and

10 (b) that subsection shall not prevent a substituted rate being made by any other authority in pursuance of subsection (4)(a) of that section for giving effect to a precept substituted in accordance with paragraph (a) above.

(4) The power to make an order under subsection (2)(b) above shall be exercisable by statutory instrument and no such order 15 shall be made unless a draft of it has been laid before and approved by a resolution of the House of Commons.

(5) An order under subsection (2)(b) above may relate to two or more authorities.

12.—(1) Separate orders may be made under this Part of this 20 Act in relation to England and Wales respectively; and if an order under section 9 above is made in relation to only one of those countries the reference in section 10(1) above to the authorities to which Part I of this Act applies shall be construed as a reference to such of those authorities as are in that country. <sup>Supplementary provisions.</sup>

25 (2) Section 8 above shall apply to the powers of the Secretary of State under this Part of this Act as it applies to his powers under Part I of this Act.

## PART III

## OTHER PROVISIONS RELATING TO RATES AND PRECEPTS

30 13.—(1) An authority to which this section applies shall in each financial year consult persons or bodies appearing to it to be representative of industrial and commercial ratepayers in its area 35 about its proposals for expenditure and the financing of expenditure in the next financial year. <sup>Duty to consult industrial and commercial ratepayers.</sup>

(2) The duty under subsection (1) above shall be performed by an authority in each financial year before it determines the amount of its total estimated expenditure (within the meaning of section 2 of the General Rate Act 1967) for the next financial 35 year. 1967 c. 9.

40 (3) The Secretary of State may issue guidance concerning—  
(a) persons or bodies to be regarded as representative of industrial and commercial ratepayers; and

PART III

(b) the timing and manner of consultations with representatives,

and an authority to which this section applies shall have regard to any such guidance.

(4) An authority to which this section applies shall make available to the representatives whom it proposes to consult such information concerning its past and proposed expenditure and financing of expenditure as may be prescribed by regulations made by the Secretary of State.

(5) The power to make regulations under subsection (4) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

(6) This section applies to each of the authorities mentioned in section 1(3) above other than the Inner London Education Authority, and in its application to the Greater London Council this section shall be construed as imposing separate duties to consult in respect of expenditure of that Authority and in respect of other expenditure of the Council.

Notice of rates payable in respect of dwelling-house.

14.—(1) Every rating authority shall within three months after a rate is made serve a notice under this section on each occupier of a dwelling-house in its rating area, being an occupier to whom this section applies.

(2) This section applies to an occupier—

- (a) to whom the rating authority has not issued and does not intend to issue a demand note for the rate ; and  
 (b) who does not occupy the dwelling-house jointly with another person to whom the rating authority has issued or intends to issue such a demand note.

(3) A notice under this section shall contain or be accompanied by—

- (a) such information as may be prescribed concerning the new rate and the amount of it chargeable in respect of the dwelling-house ; and  
 (b) such additional information (if any) as has been or will be included in or sent with demand notes for the rate issued or to be issued by the authority to occupiers of dwelling-houses.

1967 c. 9.

(4) The General Rate Act 1967 and this section shall have effect as if this section were contained in that Act.

Miscellaneous amendments and repeals.

15.—(1) The enactments mentioned in Schedule 1 to this Act shall have effect subject to the provisions of that Schedule.

(2) Schedule 2 to this Act shall have effect with respect to the rating of moorings.

(3) Section 170 of the Local Government Act 1972 (schemes for equalisation of rates in metropolitan counties) is hereby repealed.

## PART IV

## SUPPLEMENTARY

16. There shall be paid out of moneys provided by Parliament any administrative expenses incurred by the Secretary of State in consequence of this Act and any increase attributable to this Act in the sums payable out of such moneys under any other Act.

17.—(1) The first financial year for which a maximum may be prescribed under Part I of this Act shall be the year beginning on 1st April 1985.

(2) The first financial year in which consultation is required to take place under section 13 above shall be the financial year beginning on 1st April 1984.

(3) Section 14 above shall have effect in relation to any rate made after the passing of this Act.

(4) The provisions of Schedules 1 and 2 to this Act shall come into force as provided in those provisions respectively.

18.—(1) This Act may be cited as the Rates Act 1983.

Short title, interpretation and extent.

(2) In this Act—

- “ financial year ” means a period of twelve months beginning with 1st April ;  
 “ grant-related expenditure ”, “ Rate Support Grant Report ” and “ total expenditure ” have the same meaning as in Part VI of the Local Government, Planning and Land Act 1980 ;  
 “ the proper officer ” shall be construed in accordance with section 270(3) of the Local Government Act 1972 ;  
 “ rate ” means the general rate except that in the case of the City of London it includes the poor rate.

(3) This Act extends to England and Wales only.



## SCHEDULES

## SCHEDULE 1

## MISCELLANEOUS AMENDMENTS AND REPEALS

*Interpretation*

Section 15(1).

1967 c. 9.

1. In this Schedule "the principal Act" means the General Rate Act 1967. 5

*Assessment of rateable value of premises*

2.—(1) At the end of section 19(1) of the principal Act there shall be added the words "and section 23 of this Act".

(2) In subsection (1) of section 23 of that Act for the words "section 19 of this Act the gross value" there shall be substituted the words "section 19(2) or (3) of this Act the gross value, or as the case may be, the net annual value"; and in subsections (3) and (4) of that section after the words "gross value" there shall be inserted the words "or net annual value". 10 15

(3) This paragraph shall have effect for any rate period beginning on or after the first date after the passing of this Act on which new valuation lists come into force under section 68(1) of that Act.

*Volume of trade not to be factor in valuation of public houses* 20

3.—(1) In section 20(2) of the principal Act the words after "hereditament" in the third place where it occurs are hereby repealed.

(2) Subject to sub-paragraph (3) below, sub-paragraph (1) above shall come into force on the first date after the passing of this Act on which new valuation lists come into force under section 68(1) of that Act. 25

(3) The reference to "relevant factors" in section 19A(2)(b) of that Act shall be construed as if sub-paragraph (1) above had come into force on the passing of this Act. 30

*Rating of transport Boards*

4. The following sections shall be substituted for section 32 of the principal Act—

"Transport Boards—exemption and national hereditaments. 32.—(1) Subject to sections 32A and 32B(1) of this Act and without prejudice to subsection (2) of this section, no premises which are or form part of premises occupied by the British Railways Board, the London Transport Executive or the British Waterways Board (each of which is referred to in this section and in section 32A of this Act as a "transport Board") shall be liable to be rated or to be included in any valuation list or in any rate. 35 40 45

(2) For the purposes of the making and levying of rates for any rate period a transport Board shall be treated as occupying in any designated rating area during that period a hereditament of a rateable value calculated in accordance with the provisions of an order under section 19 of, and paragraph 2 of Schedule 3 to, the Local Government Act 1974. SCH. 1 1974 c. 7.

(3) The hereditament which a transport Board are to be treated as occupying in a designated rating area by virtue of subsection (2) of this section shall be taken not to be situated in any part of that area in which there are leviable, as an additional item of the rate in that area, expenses which are not leviable in the area taken as a whole.

(4) In this section a "designated rating area", in relation to a transport Board, means a rating area of such a description as the Secretary of State may by order specify in relation to that Board.

20 Transport Boards—rateable premises.

32A.—(1) Section 32(1) of this Act shall not apply—

- (a) to premises occupied as a dwelling, hotel or place of public refreshment;
- (b) subject and without prejudice to paragraph 8 of Schedule 5 to this Act, to office premises occupied by a transport Board which are not situated on operational land of that Board;
- (c) to premises so let out as to be capable of separate assessment;
- (d) subject and without prejudice to subsection (3) of this section, to premises occupied for any of the purposes specified in subsection (2) of this section.

(2) The purposes mentioned in paragraph (d) of the foregoing subsection are—

- (a) purposes of any of the parts of the undertaking of a transport Board which are—
  - (i) concerned with the carriage of goods or passengers by road transport or sea transport or with harbours; or
  - (ii) subsidiary or incidental to any such part of an undertaking so concerned;
- (b) purposes of the supply of electricity to an Electricity Board within the meaning of section 34 of this Act, including the generation of electricity so supplied;
- (c) purposes of the exercise by a transport Board of any powers conferred by section 48 or 50(1) to (7) of the Transport Act 1968. 1968 c. 73.

## SCH. 1

(3) For the purpose of determining whether premises fall within paragraph (d) of subsection (1) of this section, services performed by a transport Board in connection with the collection and delivery of parcels, goods or merchandise conveyed or to be conveyed by rail or inland waterway shall be deemed not to be performed in carrying on a part of the Board's undertaking concerned with the carriage of goods by road transport, or with any activity which is subsidiary or incidental to the carriage of goods by road transport.

(4) Where a hereditament consists of premises other than premises falling within paragraphs (a) to (c) of subsection (1) of this section, and the premises are occupied by a transport Board partly for any of the purposes specified in subsection (2) of this section and partly for other purposes, there shall be ascribed to the hereditament under section 19 of this Act such net annual value as may be just having regard to the extent to which it is occupied for the purposes specified in the said subsection (2); and if under any scheme for the time being in force such as is mentioned in section 117(7) of this Act any deduction falls to be made from the net annual value of the hereditament in arriving at its rateable value, that deduction shall be calculated with regard only to those purposes.

(5) This section and section 32 of this Act apply to a subsidiary of a transport Board as they apply to that Board, and references in either section to a transport Board include references to a subsidiary of it.

(6) In this section—

“harbour” means any harbour, whether natural or artificial, and any port, haven, estuary, tidal or other river or inland waterway navigated by sea-going ships, and any dock, including any pier, jetty or other place at which ships can ship or unship goods or passengers;

“inland waterway” includes any such waterway, whether natural or artificial;

“office premises” means any hereditament used wholly or mainly as an office or for office purposes;

“office purposes” includes the purposes of administration, clerical work and handling money; and “clerical work” includes writing, book-keeping, sorting papers, filing, typing, duplicating, punching cards or tapes, machine calculating, drawing and the editorial preparation of matter for publication;

“operational land”, in relation to any body, means land which is used for the purpose of the carrying on of the body’s undertaking, not being land which, in respect of its nature and situation, is comparable rather with land in general than with land which is used for the purpose of the carrying on of statutory undertakings within the meaning of the Town and Country Planning Act 1971 ;

SCH. 1

“road transport” includes transport by light railway or tramway, if the light railway or tramway is laid wholly or mainly along a public highway and is used wholly or mainly for the carriage of passengers ;

“subsidiary”, in relation to a body corporate, means a body corporate which is a subsidiary of the first-mentioned body corporate as defined by section 154 of the Companies Act 1948 (taking references in that section to a company as being references to any body corporate).

(7) The supplementary provisions contained in Schedule 5 to this Act shall have effect for the purposes of this section.

Transport  
Boards—  
supple-  
mentary.

32B.—(1) The Secretary of State may by order vary any provision of section 32 or 32A of this Act in its application to any premises of a description specified in the order.

(2) Before making an order under this section or section 32 of this Act the Secretary of State shall consult with such associations of local authorities or of persons carrying on undertakings as appear to him to be concerned and with any local authority or person carrying on an undertaking with whom consultation appears to him to be desirable.

(3) An order under this section or section 32 of this Act shall not have effect unless approved by a resolution of each House of Parliament.”

5.—(1) In section 28(6) of the principal Act for the words from “railway” to the end there shall be substituted the words “premises occupied by a transport Board, within the meaning of section 32 of this Act, other than premises such as are mentioned in section 32A(1) of this Act.”

(2) In sections 33(7)(c) and 34(5)(d) of that Act for “32(8)” there shall be substituted “32A(6)”.

(3) In section 68(4) of that Act for paragraph (d) there shall be substituted—

“(d) in the case of any premises occupied by a transport Board, within the meaning of section 32 of this Act,

- SCH. 1 partly for any of the purposes specified in section 32A(2) of this Act and partly for other purposes, a change in the extent to which they are occupied for any of the purposes so specified.”
- (4) In section 69(2) of that Act for “32(3)” there shall be substituted “32(1)”.
- (5) In paragraph 8 of Schedule 5, paragraph 12 of Schedule 6 and paragraph 15 of Schedule 7 to that Act for “(32(2)(b))”, in each place where it occurs, there shall be substituted “32A(1)(b)”.
- 1974 c. 7. (6) In Schedule 3 to the Local Government Act 1974 for paragraph 2 there shall be substituted—
- “2. Any hereditament which a transport Board, within the meaning of section 32 of the principal Act, are to be treated as occupying by virtue of subsection (2) of that section.”
- (7) The following provisions are hereby repealed—
- (a) paragraphs 1 to 7 of Schedule 5 to the principal Act; and
- (b) section 162(1), (3), (4)(a) and (5) of the Transport Act 1968.
- 1968 c. 73. (8) This paragraph and paragraph 4 above shall come into force on such day as the Secretary of State may by order made by statutory instrument appoint.

*Rating of British Gas Corporation*

- 6.—(1) In section 69(2) of the principal Act—
- (a) paragraph (a) is hereby repealed;
- (b) in paragraph (b) for the words “33(1)(a) or (b)” there shall be substituted “33(1)”;
- and in section 80(4) of that Act for “33(1)(a)” there shall be substituted “33(1)”.
- (2) This paragraph shall be deemed to have come into force on 1st January 1973.

*Rating of private generators or suppliers of electricity*

- 7.—(1) After section 34 of the principal Act there shall be inserted—
- “Other generators or suppliers of electricity. 34A.—(1) The Secretary of State may by order provide that, in such cases and subject to such exceptions and modifications as may be prescribed by the order, section 34 of and Schedule 7 to this Act shall apply to premises which are, or form part of, premises occupied by a private generator or supplier of electricity.
- (2) In this section “private generator or supplier” has the same meaning as in section 5 of the Energy Act 1983.
- 1983 c. 25.

- (3) Any statutory instrument containing an order under this section shall be subject to annulment in pursuance of a resolution of either House of Parliament.”
- (2) In Schedule 3 to the Local Government Act 1974 (hereditaments to which section 19(1) of that Act applies) after paragraph 4 there shall be inserted—
- “4A.—(1) Any hereditament which a private generator or supplier is to be treated as occupying in a rating area by virtue of section 34(3) of the principal Act as applied by order under section 34A of that Act.
- (2) In this paragraph “private generator or supplier” has the same meaning as in section 5 of the Energy Act 1983.”
- (3) This paragraph shall come into force at the end of the period of two months beginning with the day on which this Act is passed.
- 15 *Limits on payment by instalments*
- 8.—(1) Section 50(5) to (7) of the principal Act and section 34(1)(c) of the Local Government, Planning and Land Act 1980 are hereby repealed.
- (2) This paragraph shall have effect as respects rates for any rate period beginning on or after 1st April 1985.

*Alterations of current valuation list*

- 9.—(1) For section 70(2) of the principal Act there shall be substituted—
- “(2) The owner or occupier of the whole or any part of a hereditament to which the proposal relates may, within twenty-eight days from the date on which a copy of the proposal is transmitted to the occupier under subsection (1) of this section, serve on the valuation officer notice in writing of objection to the proposal; and where—
- (a) the rating authority for the area in which the hereditament is situated are not entitled to object by virtue of the foregoing provisions of this subsection; but
- (b) the hereditament is of a class or description specified by the authority in accordance with subsection (6) of this section,
- the authority may, within twenty-eight days from the date on which a copy of the proposal is transmitted to them under subsection (1) of this section, serve on the valuation officer notice in writing of objection to the proposal.
- (3) Where the proposal was made otherwise than by the valuation officer, he shall, within twenty-eight days from the date on which a notice of objection is served on him under subsection (2) of this section, transmit a copy of it to the maker of the proposal.

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(4) Where the proposal was made by the valuation officer or by any other person, not being the rating authority, and—

- (a) a notice of objection is served on the valuation officer under subsection (2) of this section otherwise than by the rating authority ; and 5  
 (b) the hereditament in question is of a class or description specified by the authority in accordance with subsection (6) of this section,

the valuation officer shall, within twenty-eight days from the date on which the notice is served on him, transmit a copy of it to the authority. 10

(5) The valuation officer shall, within twenty-eight days from the date on which a notice of objection is served on him under subsection (2) of this section, serve on the objector a notice in writing stating that unless— 15

- (a) the proposal is withdrawn ; or  
 (b) all notices of objection to the proposal are unconditionally withdrawn ; or  
 (c) an agreement in respect of the proposal is reached under section 72 of this Act, 20

a copy of the proposal and of every notice of objection which has not been unconditionally withdrawn will be transmitted to the clerk of the local valuation panel in accordance with section 73 of this Act ; and the notice shall explain that the transmission of a copy of the proposal will have effect as an appeal by the maker of the proposal against every objection signified by a notice of which a copy is transmitted. 25

(6) A rating authority may from time to time serve on the valuation officer for their area a notice in writing specifying a class or description of hereditament in respect of which they wish subsections (2) and (4) of this section to apply to them ; and any such notice shall have effect in relation to any proposal made by or served on the valuation officer after the end of the rate period in which the notice is served. 30

(7) Where a notice served by a rating authority under subsection (6) of this section has effect in relation to a proposal of which a copy is transmitted to the authority under subsection (1) of this section and the authority do not serve a notice of objection to the proposal under subsection (2) of this section, the authority may serve on the valuation officer a notice in writing stating that they wish sections 72(2)(e) and 76(4)(d) of this Act to apply to them in respect of the proposal ; and any notice under this subsection shall be served— 40

- (a) in the case of a proposal made by the valuation officer, within twenty-eight days from the date on which a copy of any notice of objection to the proposal is transmitted to the authority under subsection (4) of this section ; and 45  
 (b) in the case of any other proposal, within twenty-eight days from the date on which a copy of the proposal is 50

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served on the authority or from the date mentioned in paragraph (a) of this subsection.

10. The following provisions of section 71 of the principal Act are hereby repealed—

- 5 (a) in subsection (1)(b), paragraph (iii) together with the word “or” immediately preceding it ; and  
 (b) subsection (2).

11. In section 72(2) of the principal Act for paragraph (e) there shall be substituted—

- 10 “(e) the rating authority for the area in which the hereditament is situated if—  
 (i) the authority are not included by virtue of paragraph (b), (c) or (d) of this subsection ; and  
 (ii) the authority have notified the valuation officer in accordance with section 70(7) of this Act that they wish this paragraph to apply to them.” 15

12. The following provisions of section 73(2) of the principal Act are hereby repealed—

- (a) paragraph (a) ; and  
 20 (b) in paragraph (b) the words in brackets.

13. For section 74 of the principal Act there shall be substituted—

- “74.—(1) In the case of a proposal made under section 69 of this Act otherwise than by the valuation officer, the valuation officer may, at any time within the period of four months beginning with the date on which the proposal was served on him, give notice in writing to the maker of the proposal that the valuation officer is satisfied that the proposal is well-founded ; but no notice shall be given under this subsection if a notice of objection to the proposal has been served within the time limited by section 70(2) of this Act and has not been unconditionally withdrawn. 30

- (2) If in the case of any proposal to which subsection (1) of this section applies the valuation officer does not give a notice under that subsection and the proposal is not withdrawn, the valuation officer may at any time within the period mentioned in that subsection, and shall not later than the end of that period, transmit to the clerk to the local valuation panel constituted under section 88 of this Act from the members of which the local valuation court would fall to be constituted a copy of the proposal together with a statement that the valuation officer objects to the proposal and a copy of any notice of objection to the proposal which has been served under section 70(2) of this Act and has not been unconditionally withdrawn. 40

- (3) Where, in accordance with subsection (2) of this section, the valuation officer transmits a copy of a proposal to the clerk to a local valuation panel, the transmission shall have effect as 45

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an appeal to a local valuation court, by the person who made the proposal, against the objection by the valuation officer and against every objection signified by a notice of which a copy is transmitted with the copy of the proposal.

(4) The valuation officer shall serve on the maker of every proposal to which subsection (1) of this section applies a notice in writing stating the effect of subsections (2) and (3) of this section.

(5) Where the date referred to in subsection (1) of this section falls before the first anniversary of the coming into force of the valuation list to which the proposal relates, that subsection shall have effect as if for the words "four months" there were substituted the words "six months".

14. In section 75(b) of the principal Act after "73(2)" there shall be inserted the words "and 74(3)".

15. In section 76(4) of the principal Act for paragraph (d) there shall be substituted—

"(d) the rating authority for the area in which the hereditament is situated if—

(i) the authority are not the appellant ; and

(ii) the authority have notified the valuation officer in accordance with section 70(7) of this Act that they wish this paragraph to apply to them ; and".

16. Paragraphs 9 to 15 above shall have effect in relation to any proposal made by or served on the valuation officer on or after 1st April 1985, but where—

(a) a proposal is made by or served on the valuation officer before that date ; and

(b) a further proposal in respect of the same hereditament is made by or served on him on or after that date and before the first proposal has been settled,

those paragraphs shall not have effect in relation to the further proposal.

*Rating records*

17.—(1) For section 108 of the principal Act there shall be substituted—

108.—(1) Any ratepayer and any valuation officer may at all reasonable times without payment inspect and take copies of and extracts from—

(a) any valuation list whether prepared under Part V of this Act, under Part III of the Local Government Act 1948, or under the Rating and Valuation Act 1925 ;

(b) any notice of objection, proposal or notice of appeal with respect to the valuation list currently in force in a rating area or, subject to

1948 c. 26.  
1925 c. 90.

## SCH. 1

subsection (3) of this section, the immediately preceding valuation list ; and

(c) minutes of the proceedings of any local valuation court or of any rating authority with respect to the valuation list currently in force in a rating area or, subject to subsection (3) of this section, the immediately preceding valuation list.

(2) Any person having custody of any such document who obstructs a person in the exercise of any right under this section to inspect or take copies of or extracts from the document shall be liable on summary conviction to a fine of an amount not exceeding level 3 on the standard scale, as defined in section 75 of the Criminal Justice Act 1982.

(3) Where a valuation list currently in force in a rating area has been in force for more than ten years, paragraphs (b) and (c) of subsection (1) of this section do not apply to the immediately preceding valuation list."

(2) This paragraph shall come into force on 1st January 1985.

*Application of receipts*

18.—(1) Section 112 of the principal Act is hereby repealed.

(2) This paragraph shall come into force on the passing of this Act.

*Rebates for institutions for the disabled*

19.—(1) In subsection (1) of section 2 of the Rating (Disabled Persons) Act 1978 for the words after "used" there shall be substituted the words "wholly or predominantly for one or more of the purposes specified in subsection (2) below."

(2) For subsection (5) of that section there shall be substituted—

"(5) The rebate in respect of any hereditament—

(a) in the case of a hereditament used wholly for a purpose or purposes specified in subsection (2) above, shall be equal to the rates chargeable on the hereditament for the rebate period ;

(b) in the case of a hereditament used predominantly for a purpose or purposes specified in that subsection, shall be equal to the rates that would be chargeable on the hereditament for the rebate period if its rateable value were so much only of its rateable value as is attributable to the part or parts of it used for that purpose or those purposes,

but where a hereditament qualifies for rebate for part only of a rebate period the rebate shall be reduced proportionally.

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(5A) Where the rating authority give the valuation officer notice of a part or parts of a hereditament used for a purpose or purposes specified in subsection (2) above, the valuation officer shall certify what amount of rateable value is attributable to that part or those parts and, subject to subsection (5B) below, his certificate shall be conclusive. 5

1967 c. 9.

(5B) An applicant for a rebate who is dissatisfied with the amount of rateable value certified under subsection (5A) above may appeal to the local valuation court by sending a notice in writing to the clerk of the local valuation panel constituted under section 88 of the General Rate Act 1967; and the court may, if they allow the appeal, alter the amount certified to any other amount which the valuation officer could have certified and which they think fit. 10

(5C) Sections 76(2) and (4) and 77 of the said Act of 1967 (procedure of local valuation court and right of appeal to Lands Tribunal) shall, with the necessary modifications, apply to the proceedings and decision of a local valuation court under this section." 15

(3) After subsection (6) of that section there shall be inserted— 20

"(7) For the purposes of subsection (5)(b) above, a hereditament shall be regarded as being used predominantly for a particular purpose or for particular purposes if 50 per cent. or more of the floor area of any building comprised in the hereditament (or, if there is more than one such building, of all such buildings) is used, or is available for use, wholly for that purpose or those purposes; and in this subsection "building" includes a part of a building and "buildings" shall be construed accordingly." 25

(4) For section 3(5) of that Act there shall be substituted—

"(5) An applicant for a rebate— 30  
 (a) whose application is refused by a rating authority; or  
 (b) who is dissatisfied with any decision of the rating authority as to whether the hereditament is used wholly or predominantly for a purpose or purposes specified in section 2 above or as to whether any part of it is used for a particular purpose. 35

may appeal to the county court; and if that court allows the appeal it may give the rating authority such directions in relation to the rebate or the application as it thinks fit."

(5) This paragraph shall have effect as respects rates for any rate period beginning on or after 1st April 1985. 40

Section 15(2).

## SCHEDULE 2

## RATING OF MOORINGS

1.—(1) Where on any land there are two or more moorings and it appears to the valuation officer that the moorings are separately occupied, or are available for separate occupation, by persons other 45

than the owner so as to form separate hereditaments for the purposes of rating within the meaning of the principal Act, the valuation officer, in preparing a new valuation list or in altering a current valuation list, may, if he thinks fit, treat as a single hereditament—

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1967 c. 9.

- 5 (a) all or any of the moorings ; or  
 (b) all or any of the moorings together with any adjacent moorings occupied by the owner or adjacent land so occupied.

(2) Where any moorings, or any moorings and land, are treated as a single hereditament under sub-paragraph (1) above, they shall, for the purposes of rating within the meaning of the principal Act, be deemed to be a single hereditament in the occupation of the owner.

(3) For the purposes of any proposal for the alteration of the valuation list made by the valuation officer by virtue of sub-paragraph (1) above—

- 15 (a) the hereditament shall be treated as in the occupation of the owner ; and  
 (b) in section 70(2) of the principal Act (which confers on certain persons the right to object to a proposal), the reference to any part of a hereditament shall be omitted.

(4) Where a valuation list is altered by virtue of sub-paragraph (1) above so as to include moorings, or moorings and land, as a single hereditament, any item comprised in that hereditament and separately entered in the list may be deleted from the list without any proposal being made to delete it ; and a deletion so made shall have effect as from the same date as the alteration of the list to include the single hereditament.

(5) Where moorings, or moorings and land, are treated as a single hereditament under sub-paragraph (1) above, or where the valuation officer has made a proposal for the alteration of the valuation list in order that they shall be so treated, a proposal to omit from the hereditament and enter separately in the valuation list a mooring occupied by a person other than the owner may be made by that person if the mooring would fall to be entered separately in the list but for this paragraph ; and sections 69(4) and (5) and 70 to 74 of the principal Act shall apply in relation to a proposal under this sub-paragraph as they apply to a proposal under section 69 of that Act.

2.—(1) Where, by virtue of paragraph 1 above the valuation officer makes a proposal for the alteration of the valuation list so as to treat moorings, or moorings and land, as a single hereditament he shall, within twenty-eight days after the date on which the proposal is made, give the owner written notice of—

- 45 (a) the number and description of moorings which will be comprised in the hereditament ; and  
 (b) the proportion of the proposed rateable value of the hereditament which is attributable to each of those moorings.



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(2) Where moorings, or moorings and land, are treated, or proposed by the valuation officer to be treated, as a single hereditament under paragraph 1 above, the owner shall, if so requested by the occupier of a mooring comprised or proposed to be comprised in the single hereditament, supply the occupier with particulars— 5

(a) of the matters specified in sub-paragraph (1)(a) and (b) above; and

(b) of the amount in the pound at which the rate for the rating area in which the mooring is situated is currently charged.

1982 c. 48.

(3) If the owner without reasonable excuse fails within twenty-eight days after the making of a request under sub-paragraph (2) above to comply with the request, he shall be liable on summary conviction to a fine of an amount not exceeding level 2 on the standard scale, as defined in section 75 of the Criminal Justice Act 1982. 15

3.—(1) Subject to the following provisions of this paragraph, any alteration made in a valuation list by virtue of paragraph 1 above—

(a) shall, in relation to any rate current at the date when notice of the relevant proposal was served on the owner, be deemed to have had effect as from the commencement of 20 the period in respect of which the rate was made; and

(b) shall have effect for the purposes of any subsequent rate.

(2) Sub-paragraph (1)(a) above shall not apply if—

(a) any of the moorings which are treated as a single hereditament by virtue of the alteration was included as a separate 25 hereditament in the valuation list immediately before the alteration was made; or

(b) any of the moorings which are so treated has come into existence since the commencement of the period in respect of which the rate was made and was not so included before 30 the alteration was made;

but the alteration shall, in a case within (a) above, be deemed to have had effect as from the date when notice of the relevant proposal was served on the owner and, in a case within (b) above or within (a) and (b) above, be deemed to have had effect as from the 35 date when the mooring came into existence or, if there are two or more moorings to which (b) above applies, as from the date when the most recent of them came into existence.

(3) In this paragraph “the relevant proposal”, in relation to an alteration in the valuation list, means the proposal in pursuance of 40 which the alteration was made.

(4) Where—

(a) an alteration is made in a valuation list by virtue of paragraph 1 above so that moorings, or moorings and land, are treated as a single hereditament; and 45

(b) any rate has been levied in respect of any item comprised in that hereditament,

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so much (if any) of the amount of the rate levied as relates to the period after the alteration is deemed to have effect shall be repaid or allowed.

4.—(1) Where, after a valuation list has been altered so as to treat 5 moorings, or moorings and land, as a single hereditament, it appears to the valuation officer that there is any other mooring—

(a) which could have been included with the moorings, or moorings and land, so treated; or

(b) which could have been so included if it had been in existence 10 at the time when the proposal to alter the list was made,

the valuation officer, in preparing a new valuation list or in altering a current valuation list, may, if he thinks fit, treat those moorings, or moorings and land, and that other mooring as a single hereditament.

15 (2) The provisions of paragraph 1(2) to (5) and paragraphs 2 and 3 above shall apply in relation to moorings, or moorings and land, treated as a single hereditament under this paragraph and in relation to any proposal or alteration made by virtue of this paragraph as they apply in relation to moorings, or moorings and land, treated as a 20 single hereditament under paragraph 1 above and in relation to proposals and alterations made by virtue of that paragraph.

5. In this Schedule—

“the principal Act” means the General Rate Act 1967; 1967 c. 9.

25 “owner”, in relation to a mooring, means any person for the time being receiving or entitled to receive the rack-rent of the mooring, whether on his own account or as agent or trustee for any other person, or who would so receive or be entitled to receive that rent if the mooring were let on a rack-rent,

30 and any other expression which is also used in the principal Act has the same meaning as in that Act.

6. No proposal for the alteration of a valuation list shall be made under this Schedule before the first rate period beginning after the passing of this Act.

RESTRICTED

Rates

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**B I L L**

To enable the Secretary of State to limit the rates made and precepts issued by local authorities; to require local authorities to consult representatives of industrial and commercial ratepayers before reaching decisions on expenditure and the means of financing it; to require notice of the rates payable in respect of a dwelling-house to be given to any occupier not in receipt of a demand note; and to make other amendments relating to rates.

LV—A (2)

8th December, 1983

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