



PRIME MINISTER

RATES BILL REPORT STAGE: GENERAL SCHEME

The Report Stage and Third Reading of the Rates Bill are taking place tomorrow and Wednesday (27 and 28 March). An amendment has been tabled by Sir Peter Emery, with a number of influential supporters, seeking to introduce specific exemptions from the general rate limitation scheme. I attach a copy of the amendment, which seeks to exempt from the general scheme any authority which in the previous two years has met its target, or (in the absence of targets) its GRE. This amendment is gathering a substantial degree of support among our backbenchers, and I am concerned that if we seek to resist it there will be a substantial number of defections which could affect the passage of the Bill in the Lords.

The amendment is grouped with two related ones from Mr Robin Maxwell-Hyslop, and one from the Liberals/SDP (copies attached), but I think the critical amendment is the one from Sir Peter Emery.

My view is that we should agree to consider the principles underlying that amendment with a view to putting down a suitable amendment to the Lords. The amendment itself is defective and could not be accepted as it stands.

Because this would be a departure from the agreed policy for the general scheme I feel it right to consult colleagues; so far the Bill provides only for an Order-making power to make exemptions without being specific. However I believe that the impact of any concession in this area on public expenditure would be relatively limited. The amendment talks specifically about exempting authorities which have spent

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below target for two years; there is in any case a reasonable argument for doing that. We would need to consider precisely what amendment was most appropriate to table, but the most far-reaching form that it could conceivably have is an exemption of all authorities spending below their GRE. Even in that extreme form we would still under the general scheme be controlling 43% of authorities including all the high spenders. The overall public expenditure effects of the exemption would not be large. We have always had in mind some exemption from the general scheme for smaller authorities, and I do not think the principles underlying the Emery amendment would mean a major shift in our stance.

It is likely that the amendment will be discussed on Wednesday afternoon. Unless I hear from colleagues to the contrary, I will take the line in replying to the amendment that the Government will consider the policy underlying it with a view to tabling an appropriate amendment in the Lords.

I am copying this letter to members of E(LF), John Wakeham, Bertie Denham and to Sir Robert Armstrong.

AH Dani  
for P J

Approved by the Secretary of State and signed in his absence

26 March 1984

Rates Bill continued

Mr Charles Morrison  
Mr W. Benyon

- ★ Page 5, line 12 [Clause 4] leave out 'two or more authorities' and insert 'only one authority'. 28 W 35

Mr Charles Morrison  
Mr W. Benyon  
Sir Ian Gilmour  
Mr Geoffrey Rippon

- ★ Page 8, line 1, leave out Clauses 9 to 12. 31 Not likely to be selected

Mr Charles Morrison  
Mr W. Benyon

- ★ Page 8, line 4 [Clause 9] at end insert— 32 + 15  
'(1A) The date to be specified under subsection (1) above shall be not less than three years from the date of operation of an order laid by the Secretary of State pursuant to section 2(1) of this Act.'

Sir Peter Emery  
Sir Peter Mills  
Sir Bernard Braine  
Sir William van Straubenzee  
Mr Tim Rathbone  
Mr Ian Lloyd

- ★ Page 8, line 5 [Clause 9], at end insert— 39 + 16-18  
'(1A) No Order introduced under Part II of this Act shall apply to any local authority which has not, for the previous two years, exceeded  
(a) the expenditure guidance (as defined by section 59 of the Local Government, Planning and Land Act 1980), or, in the absence of such guidance,  
(b) the grant related expenditure (as defined by section 56 of the Local Government, Planning and Land Act 1980)  
set by the Secretary of State for the said local authority.'

*Rates Bill continued*

~~Dr John Cunningham  
Mr Jack Straw  
Dr David Clark~~

~~Page 8, line 9 [Clause 9], at end insert—~~

~~'(2A) No order shall be made under this section~~

~~(a) until the expiration of three years from the date upon which the Secretary of State has first laid an order before the House of Commons pursuant to section 2(1) of this Act, and~~

~~(b) unless, during each of the three financial years preceding such making, the relevant expenditure (as defined in section 54 of the Local Government, Planning and Land Act 1980) of all local authorities in England or in Wales or in both countries (as the case may be) has exceeded by five per cent the sum of relevant expenditure determined in accordance with the provisions of the said section 54 of the said Act of 1980 and employed by the Secretary of State for the purposes of determining the aggregate amount of rate support grants.'~~

15

W 3 2

Mr Robin Maxwell-Hyslop  
Mr Nicholas Winterton  
Mrs Jill Knight  
Sir Geoffrey Rippon  
Mr Tony Speller

Page 8, line 12 [Clause 9], at end insert—

'(4) The Secretary of State shall not lay before the House of Commons an order pursuant to Part II of this Act unless it appears to him from the best information available to him that the total expenditure of each authority to which such order would apply, in the financial year in which an order is laid is likely—

(a) to exceed its grant-related expenditure for that year or £10 million, whichever is the greater; and

(b) to be excessive having regard to general economic conditions.'

16

W  
39

Mr Robin Maxwell-Hyslop  
Mr Tony Speller  
Mr Nicholas Winterton  
Mrs Jill Knight  
Sir Geoffrey Rippon

Page 8, line 12 [Clause 9], at end insert—

'(5) The Secretary of State may by an order made by statutory instrument increase the amount specified in subsection (4)(a) above, but any such order shall be subject to annulment in pursuance of a resolution of the House of Commons.'

17

~~Mr Charles Morrison~~

~~\* Page 8, line 25 [Clause 10], at end insert—~~

~~'(2A) An order under subsection (2) above may relate to only one authority.'~~

33

N.S.



Private Secretaries' Office

PS / Prime Minister

Rates Bill

This amendment should have been included with the other attachments to my Secretary of State's minute of 26 March to the Prime Minister

Ala Dair

PS / Secretary of State

26 / 3 / 94

cc as before

Rates Bill continued

Mr John Cartwright  
Mr Michael Meadowcroft

Page 8, line 28 [Clause 10], at end insert—

18 W39

'(3A) The Secretary of State shall by notice in writing served on an authority exempt it from the operation of subsection (1) above in relation to the next financial year if he is satisfied that, in relation to that authority, its expenditure in the previous financial year has not exceeded the grant related expenditure (as defined in section 56(8) of the Local Government, Planning and Land Act 1980) of that authority.'

~~Dr John Cunningham  
Mr Jack Straw  
Mr David Clark  
Mr John Cartwright  
Mr Michael Meadowcroft~~

~~Page 9, line 17 [Clause 11], leave out subsection (5).~~

~~19 N.S.~~

~~Dr John Cunningham  
Mr Jack Straw  
Mr David Clark~~

~~★ Page 9, line 17 [Clause 11], leave out 'to two or more authorities', and insert 'only to one authority'.~~

~~36~~

~~Mr Charles Morrison~~

~~★ Page 9, line 17 [Clause 11], leave out 'two or more authorities' and insert 'only one authority'.~~

~~34~~

~~Mr John Cartwright  
Mr Michael Meadowcroft~~

~~Page 9, line 27 [Clause 12], at end insert—~~

~~20~~

~~'(3) On the coming into force (in relation either to England or to Wales or to both countries) of sections 10 and 11 of this Act as provided for in sections 9 and 12 above, subsection (5)(cc) of section 59 (Adjustment of distribution of block grant) of the Local Government, Planning and Land Act 1980 shall cease to have effect in relation either to England or to Wales or to both countries as the case may be'.~~

~~N.S.~~

PRIME MINISTER

RATES BILL REPORT STAGE: GENERAL SCHEME

Patrick Jenkin's minute reports on an amendment to the Rates Bill which has been put down by Government backbenchers. There are two views on the impact of this amendment:

- (i) This would be a costless concession as even if the Government wanted to go for general rate capping, it would only get it passed in conjunction with a promise not to apply it to the best behaved councils.
- (ii) This may not be costly now, but it could be so in the future. If the apparatus of targets and holdback is maintained, exempted councils spending below GRE would not immediately shoot up to their GRE as they would incur holdback in doing so. But the long term aim is to simplify the system and reduce the three limits - GRE, targets/holdback, expenditure limit for rate capping - to two. If targets/holdback are removed, low-spending councils with targets currently below GRE would then encounter no obstacle in using up the headroom.

The Chief Secretary is considering this proposal and will respond tomorrow. If he objects it may be necessary to call a meeting at short notice with him, Mr. Jenkin and the Chief Whip.

AS

26 March 1984



Removed from  
Local Count  
Pt 19.

10 DOWNING STREET

*From the Private Secretary*

Prime Minister

The Chief Secretary does not wish to oppose the amendment, though he will want to ensure the precise formula used is sound.

But he wants you to be clear that what is proposed is no longer genuinely a general scheme but a widely selective scheme. There will be no protection for rate payers, in well behaved councils, who still complain about their rates. This may be no loss since it is acknowledged by all Departments that rate capping ~~could~~ on all local authorities could not be administered.

Mr Jenkin is seeking a word with you after Questions.

AT

26/3





Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 LONDON  
 SW1P 3EB

27 March 1984

*John Patrick*

RATES BILL REPORT STAGE: GENERAL SCHEME

Thank you for <sup>with AT?</sup> sending me a copy of your minute to the Prime Minister of 26 March.

I entirely understand your problems and am anxious to help. I think we have to recognise that Peter Emery's amendments are conceptually far-reaching. We promised in our Manifesto "to provide a general scheme for limitation of rate increases for all local authorities to be used if necessary". We have to accept that it will be difficult to say that we still have a general scheme if we exempt a substantial number of authorities - certainly if we exempt over half of all authorities. We may well be criticised for no longer offering an ultimate reassurance to all ratepayers. But if that is the price of getting the Rates Bill onto the statute book, I would not want to stand in your way.

We have always made it clear, in any case, that even if we have to bring in the general scheme, moderate spenders will have little to fear. We shall not impose constraints which would in practice constrain them significantly. Indeed, the general scheme would simply not be workable if we made it too tight. So there is little of substance between us and Peter Emery. What we are talking about is translating general assurances into specific form.

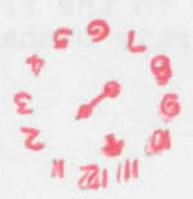
Clearly, this poses considerable difficulties. With the best will in the world, it is hard to define now the precise properties which authorities will have to have to be unaffected by the general scheme. As you say, Peter Emery's own attempt is unfortunately defective.\*

\* It does not cover the case of a council with a good past record, changing hands. An incoming Labour council would face no obstacle in the first year to a large rate rise - indeed it would have every incentive to get it through while it could. The formula used will need CONFIDENTIAL to cover this.

It is no longer in my mind to say that we are...  
...which we shall not see for years...  
...the risk of actually making things worse for our  
...For example, if we were to award a large number  
...of authorities... we might then face  
...to keep one of the existing  
...a stronger case for retaining targets...  
...This might make it that much more  
...difficult to meet our objective of spending out targets - a result  
...our supporters would prefer. But again, if that is a risk you  
...I must leave you to make that judgment

If we are to proceed on this basis we face a practical problem  
...which we must face... those who are undoubtedly  
...on all grounds and various definitions, but  
...the principle that the reserve should  
...I do not think it would be consistent  
...with this to attempt every single...  
...I hope that  
...our departments will be able to discuss alternatives as a matter  
...of urgency.

I am sending copies of this letter to the Prime Minister,  
...and  
...Sir Robert Armstrong



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*[Faint handwritten signature]*

PETER HARRIS