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Lord Borthwick's Office  
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From the Private Secretary

27 March, 1984

Dear John.

Rates Bill Report Stage: General Scheme

The Prime Minister met your Secretary of State and the Chief Whip at the House today to discuss amendments tabled by Sir Peter Emery and others. Your Secretary of State said that a number of Government supporters would vote against the Bill and there would be difficulties in the Lords unless some amendment were made. The Bill already included a provision that certain councils would be exempt if general rate capping were introduced. Government backbenchers were seeking to establish in the Bill itself the conditions which would produce such exemption. The Government had argued against specifying this in advance as it would be difficult to know what the precise circumstances would be.

The Prime Minister recognised that in practice it would be impossible to apply rate capping to all local authorities and in particular to the low spenders. She was concerned, however, that if the amendment were accepted it could create the impression of a 3-tier system - selective rate capping for the highest spenders, a wider, but still selective scheme for moderately high spenders and a third tier of exempt authorities. This, it could be argued, would be inconsistent with the Manifesto commitment:

"To provide a general scheme for limitation of rate increases for all local authorities to be used if necessary."

It would be difficult to counter complaints about excessive rates from ratepayers in the shire counties.

If modifications were made, the scheme should be presented as being generally applicable, but within it councils whose spending was low would not be constrained.

A further concern was that Sir Peter Emery's amendment was essentially backward looking. It would provide no protection for ratepayers where a council with a good spending record changed political control. The new council would encounter no obstacles in raising rates; indeed, it might have an incentive to get a rate rise in quickly before it /came

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came under constraint. Your Secretary of State agreed that, in designing the precise formula, an effort should be made to cover this possibility.

Finally, the Prime Minister was worried that ratepayers would have no protection where there was a change of Government, even if the Conservative legislation remained on the Statute Book. It was argued, however, that a high spending Government would probably not activate the general rate capping scheme and, in any case, would be free to restore the whole Bill if it wished.

Summing up the discussion, the Prime Minister said that Sir Peter Emery and others should be told that the Government recognised their concern and was prepared to write into the Bill conditions under which low spending councils could be free from constraint on their rates, should the general rate capping provision be activated. It was not possible at this stage to say what the precise conditions would be. Officials should undertake more work on this and should attempt to cover the case where, having had low rates, a council introduced substantial increases. In bringing an amendment to the Bill, efforts should be made to avoid the impression that there were two tiers of rate capping, leaving no protection for the remaining councils.

I am copying this letter to the Private Secretaries to members of E(LF), Murdo Maclean (Chief Whip's Office), David Beamish (Lord Denham's office) and Richard Hatfield (Cabinet Office).

*Yours sincerely*  
*Andrew Turnbull*

ANDREW TURNBULL

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