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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

1 May 1984

Prime Minister

**RATES BILL: EXCLUSIONS FROM OPERATION OF GENERAL RATE
LIMITATION SCHEME: SCOTTISH IMPLICATIONS**

I refer to Patrick Jenkin's minute to you of 16 April in which he describes the form of amendment to the Rates Bill which he proposes should be tabled for Committee Stage in the Lords. I am content with his proposal and the form in which it now appears as an amendment.

The Rating and Valuation (Amendment) (Scotland) Bill will be in committee in the Lords in the same period as the Rates Bill. The question of protecting moderate Scottish authorities is bound to be raised and indeed this issue may come up on the Scottish Bill before it comes up on the English one. In the light of this I propose that Hamish Gray (who will be dealing with this part of the Scottish Bill in the Lords) should give an undertaking that no Scottish authority would be forced by means of general rate limitation to reduce its expenditure if that expenditure was already below either its guideline or its client group assessment (the Scottish equivalents to targets and GREs).

This undertaking would not go as far as what Patrick Jenkin proposes, since there would be no amendment to the Scottish Bill and no automatic exclusion of the low spenders from the operation of the general limitation scheme. They would be dealt with under the derogation procedure. We could operate this in a way which did not allow the low spenders to raise their expenditure as would apparently be possible for English low spenders excluded from the general limitation scheme. Although not as far reaching as what Patrick Jenkin suggests, what I propose fits better with the structure of the Scottish legislation and would, I hope, be seen as an adequate concession.

I am copying this minute to Patrick Jenkin and the other recipients of his minute of 16 April.

G.Y.

G.Y.

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16:20





10 DOWNING STREET

From the Private Secretary

9 May, 1984

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RATES BILL: EXCLUSIONS FROM OPERATION OF GENERAL
RATE LIMITATION SCHEME: SCOTTISH IMPLICATIONS

The Prime Minister has seen your Secretary of State's minute of 1 May and your letter to me of 2 May. Since then, the Chief Secretary has minuted on 3 May suggesting that Lord Gray seeks to provide reassurance without committing the Government in more specific detail than is strictly necessary. Lord Gray should go further only if he comes under strong pressure. I understand this would be acceptable to your Secretary of State. The Prime Minister would also be content.

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

ANDREW TURNBULL

Edward Gowans, Esq.,
Scottish Office

BM

FROM: CHIEF SECRETARY

DATE: 3 May 1984



PRIME MINISTER

RATES BILL: EXCLUSIONS FROM OPERATION OF GENERAL RATE LIMITATION
SCHEME: SCOTTISH IMPLICATIONS

George Younger's minute to you of 1 May proposes that Hamish Gray should give an undertaking about the way in which general rate limitation would be operated in Scotland when the Rating and Valuation (Amendment)(Scotland) Bill is debated in Committee in the Lords. His Private Secretary's letter of 2 May to Andrew Turnbull gives further details of this proposal.

I accept that some protection for moderate spenders would be appropriate in the light of the arrangements now agreed for England and Wales. But the Scottish benchmarks are not entirely equivalent to those in England and Wales. I am not aware of any strong political pressure for an undertaking in the Scottish case, and I would prefer Hamish Gray's statement to be in rather less specific terms. He could say that arrangements would be made to protect moderate-spending Scottish authorities from any general rate limitation, and that these would be based on spending performance over four years, as is proposed for England and Wales.

I would hope that this would provide the required reassurance without committing us in more specific detail than is strictly necessary at this stage. If Hamish Gray comes under strong pressure for an undertaking in more specific terms, I could go along with George Younger's proposal. But I would prefer to avoid this.

CONFIDENTIAL

I am copying this minute to George Younger, Patrick Jenkin and the other recipients of his minute of 16 April.



PETER REES

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3 - MAY 1984



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

A Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

2 May 1984

Dear Andrew,

RATES BILL: EXCLUSIONS FROM OPERATION OF GENERAL RATE LIMITATION
SCHEME: SCOTTISH IMPLICATIONS

I refer to our telephone conversation yesterday in which you asked how the Scottish Office would define low spenders for the purpose of the undertaking which Lord Gray will probably have to give during the Lords Committee Stage of the Rating and Valuation (Amendment) (Scotland) Bill on Thursday 3rd May. I also understand that Treasury would like us to align our undertaking more closely with the amendment to the Rates Bill even although we are not proposing to amend our Bill to exclude specified authorities from general rate limitations.

In the light of this we would propose that Lord Gray should give an undertaking that any authority with a proven record of low spending, that is below guideline or client group assessment for the previous three years and budget in the current financial year, would receive special consideration if it applied for a derogation and if any authority fulfilled these tests it would not be required to reduce expenditure in real terms as a result of general rate limitation. No undertaking would be given to amend the Bill. Derogations would also, as already made clear in the passage of the Bill, be used to deal with any exceptional cases.

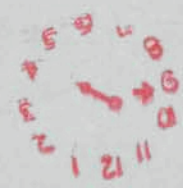
I hope the Prime Minister will be able to agree to an undertaking in these terms.

I am copying this letter to the Private Secretaries to the recipients of my Secretary of State's minute of 1 May.

Yours sincerely

EDDIE GOWANS
Private Secretary

SECRET
UNITED STATES DEPARTMENT OF JUSTICE



2 - MAY 1984

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PRIME MINISTER

Rates Bill

Mr Jenkin wrote to you proposing that the undertaking not to apply general rate-capping to councils with a good record should be implemented by excluding from the operation of the scheme councils which were below target or GRE in the previous two years. The Chancellor wanted qualification to be below target and GRE, plus a requirement about the increase in the current year.

Under the Chairmanship of Lord Whitelaw, a compromise was worked out with the definition being target or GRE, but for three prior years. This has been tabled in the Lords.

It has also been agreed that Mr Younger should make a similar provision for Scotland, only in his circumstances it will not be in the Bill but will be implemented by administrative action following ~~an~~ undertaking in the House.

He also needs to specify the nature of the undertaking. The attached two letters propose the previous three years for the Scottish equivalent of target or GRE. It thus parallels the treatment in England and Wales.

Agree Mr Younger's proposals?

Yes mt

AT

Andrew Turnbull

2 May 1984