

PRIME MINISTER

RATES IN SCOTLAND

The purpose of the meeting is:

- (i) To consider whether the Government should offer further relief for Scottish ratepayers and if so to decide in what form and where the money is to come from.
- (ii) To consider what you and Mr. Younger should say in your speeches at the Perth Conferences on rates in Scotland and on rates generally; and to commission material for these speeches.

Policy Issues

Transitional Relief for Revaluation

Please see Flags A and B.

Mr. Younger has proposed a scheme costing £63 million directed at both commercial and domestic ratepayers whose bills have increased most. As put forward it does not provide for any tapering out of the relief. The Chancellor says he will provide £13 million to cover the domestic sector, but argues that relief for the commercial sector, which in aggregate is not too badly affected, is not justified. If, however, Mr. Younger wishes to pursue this, he should find the money from the Scottish block. Mr. Younger has made no offer to find any additional money - he has of course already found £38 million in 1985-86 for his domestic rate relief scheme.

Decisions are needed on:

- (i) Should relief extend to the commercial sector?

- (ii) Should relief be tapered?
- (iii) Should Mr. Younger find the money from further economies in the Scottish block?
- (iv) Or should the Chancellor provide the extra that is needed in 1985-86, with the Scottish block finding savings in subsequent years?

Penalties

Please see Flags C and D.

Mr. Younger has sought an easing of the penalties on the smaller Scottish authorities. He argues that a reasonable amount of goodwill can be secured at little cost. The Chief Secretary opposes this, partly because he fears repercussions south of the border which could have significant costs. Mr. Jenkin will have a view on this.

- (i) Should the penalties on all or some of the smaller authorities be eased?

Presentation

Revaluation in Scotland

Mr. Younger's letter of 23 April refers to announcing whatever is decided on Scottish rates "at Perth". He recognises, however, that it would be wrong to announce decisions at the Conference while Parliament is sitting. Arrangements will have to be made for announcing to Parliament on Tuesday or Wednesday of next week whatever is decided at the meeting.

Rates in General

The Party in Scotland will be looking for promises that the present system of rates will be swept away and something better put in its place. On the other hand, the Government will not want to promise too much too soon and find itself unable to satisfy excessive expectations. The Chancellor is particularly worried on this score. A carefully drafted passage will be needed for your speech. Perhaps Oliver could be asked to agree a passage with the Department of the Environment and the Scottish Office.

Stephen
has set
this out
at Flag E

Effect of Revaluation on Section 137 Expenditure . Flag F

Harry Jordan has drawn to your attention the fact that the product of a 2p rate is greatly increased by each revaluation. I have asked the Scottish Office for a comment on this, without identifying Harry Jordan as your correspondent. It is not essential to settle this at this meeting, so you should raise it only if time permits.

AT

30 April 1985