



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 January 1986

Dear Secretary of State,

LOCAL GOVERNMENT FINANCE GREEN PAPER

Your officials have sent mine a copy of the draft chapter on Scotland for inclusion in the Green Paper.

There are two points of substance on non-domestic rates. We agreed at E(LF)(85) 6th that the Green Paper should come down firmly in favour of the uniform rate rather than capping. Subsequently it was agreed at the meeting Willie Whitelaw chaired on 19 December that English ratepayers would not subsidise a reduction in the uniform Scottish rate to the English average.

The draft text now suggests that you would "cap" the non-domestic rate in Scotland until valuation practice were aligned North and South of the border, with the implication that this would be at a uniform rate throughout Great Britain. I find it difficult to accept that formulation. Even if Scottish and English rating practice were aligned there would probably still be problems in moving to a common rate, because of the higher spending of Scottish authorities. And it is difficult to sustain the argument in Chapter 2 that a uniform rate is the best proposal for England if we argue we should cap non-domestic rates in Scotland for an unspecified period. I attach a redraft of paragraph 8.31, which I hope you can accept.

My other concern is on timing. At E(LF)(85) 6th we agreed that there should be no commitment to early legislation in Scotland. Indeed we doubt that it is feasible to draw together the major legislation required in time for the 1986/7 session. To introduce ill-thought legislation on a quick timetable would damage no further the cause of reform.

I would therefore much prefer the references to the urgency of the need for reform in Scotland to be toned down. You could still mention that it would be feasible to legislate separately - and earlier - in Scotland than in England but without making it plain that you are aiming for 1986/7. This would require amendment in particular of 8.34 and 8.45.

Copies of this go to the Prime Minister, Members of E(LF) and Sir Robert Armstrong.

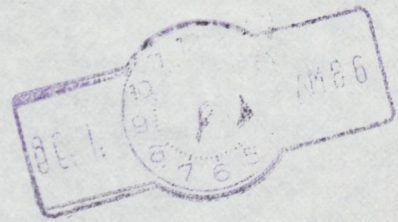
Yours sincerely,

R. Young

PP KENNETH BAKER

(Approved in draft by the Secretary of State and signed in his absence.)

The Rt Hon George Younger



CONFIDENTIAL

DRAFT PARAGRAPH 8.31

The Government is proposing to set a uniform national rate to apply throughout Scotland. Industrial de-rating will continue if deemed appropriate after the 1990 revaluation of non-domestic rateable values. The present range of non-domestic rate poundages is from ■ to ■. Suitable transitional measures would be required to ease the move to a uniform poundage. Subsequent increases in the uniform poundage will be linked to a general index of price movements (paragraph 2.■). This would provide a guarantee of much greater stability in the rate burden levied on industry and commerce in Scotland.



E E CC BG ✓
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

8 January 1986

Dear Kenneth,

LOCAL GOVERNMENT FINANCE GREEN PAPER

Thank you for your letter of 3 January.

I could not accept the precise form of words you have suggested to cover non-domestic rates. You are asking me to commit myself to a separate Scottish rate whereas the E(LF) minutes are clear that the option of different poundages in different territories should be left open. In the hope of saving time tomorrow I wonder if you would be prepared to accept the further redraft which I attach?

On timing, I have made clear all along and colleagues have accepted the particular urgency of the need for reform in Scotland; paragraph 9 of C(86)1 reflects the position which I am in no doubt I must maintain - consultation period to end of April and the option of a Bill early in the 1986/87 session.

I am copying this to the Prime Minister, members of E(LF) and to Sir Robert Armstrong.

Yours most,

Cunneen

8.31. The Secretary of State's long term objective is to find a fully satisfactory basis for determining the burden that non-domestic ratepayers in Scotland should be asked to bear. This will certainly require him to take powers to fix centrally the poundage that is appropriate in each area. Before he reaches a decision on that however he would want to be able to compare the Scottish basis with what is emerging in England (and that cannot be done validly until after 1990). In the meantime, because the immediate priority is to give the greatest possible reassurance to non-domestic ratepayers in Scotland of a degree of stability in their rate burdens, the Secretary of State proposes that the Scottish legislation should freeze the existing poundages in each area. In the years immediately after the legislation comes into operation, the frozen poundages will be increased in line with one of the general indices of price movements.

Local Govt; Rating System Pt 4



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CCBG



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

NBPN

13 January 1986

Am Malahem

LOCAL GOVERNMENT FINANCE GREEN PAPER: NON-DOMESTIC RATES IN SCOTLAND

In George Younger's letter to me of 8 January, he proposed an alternative form of words for the paragraph in the Scottish Chapter of the Green Paper dealing with the non-domestic rate in Scotland. I am afraid that I cannot accept what he proposed, because it still does not reflect the decision of E(LF) that we should prefer uniform non-domestic rate poundages rather than freezing the existing pattern of non-domestic rate poundages which is the other alternative canvassed in Chapter 2 of the Green Paper.

I understand very clearly the problems which George was trying to circumvent in the draft he suggested, and I do not wish to be unhelpful. I hope therefore that the attached, further revised, draft will meet his points and ours.

I am copying this to the Prime Minister, other members of E(LF) and to Sir Robert Armstrong.

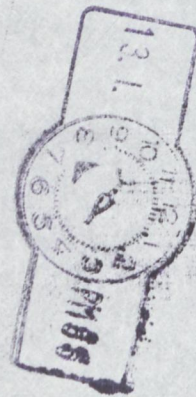
Kenneth Baker
Kenneth Baker
KENNETH BAKER

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8.31 The Government's objective is to find a fair basis for determining the burden on non-domestic ratepayers in Scotland, both within Scotland and in relation to those in England and Wales. This will mean taking powers to set the non-domestic rate poundage centrally. For the reasons outlined in Chapter 2, the Government prefers the option of moving to a uniform poundage in all authorities in Scotland and, over time, towards a uniform rate poundage throughout Great Britain. However, this will not be possible until rateable values are assessed on the same basis in each country. Separate transitional arrangements will be required in Scotland.

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LOCAL GOVT
RATES
PT 4





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

14 January 1986

NGPN

Dear Ken,

LOCAL GOVERNMENT FINANCE GREEN PAPER: NON-DOMESTIC RATES
IN SCOTLAND

Thank you for your letter of 13 January. *attached*

Having now had an opportunity to read the E(LF) minutes to which you refer, I am surprised that you should consider that the form of words in the draft Green Paper as considered by Cabinet last week does not reflect E(LF)'s decision. Moreover, my understanding is that Cabinet approved the text of the Green Paper circulated under cover of C(86)1 without amendment. I think it is really too late in the day to be proposing changes to the Scottish Chapter which are quite unacceptable to me because of the major political difficulties to which an explicit commitment to moving to a uniform poundage in all authorities in Scotland will expose me.

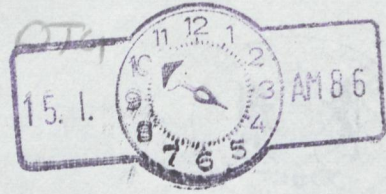
We will obviously need to discuss urgently and I understand that our offices have been able to arrange a meeting between you, me, William Waldegrave and Michael Ancram at 5.00 pm tomorrow. I look forward to seeing you then.

I am copying this letter to the Prime Minister, other Members of E(LF) and to Sir Robert Armstrong.

*Yours ever,
Michael*

SCOTTISH OFFICE
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LOCAL GOV
RATING



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The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3SH

11 January 1988

LOCAL GOVERNMENT FINANCE GREEN PAPER: NON-DOMESTIC RATES
IN SCOTLAND

Thank you for your letter of 13 January.

I have now had an opportunity to read the Bill's minutes to which you refer. I am satisfied that you should consider that the form of words in the draft Green Paper as considered by Cabinet last week does not reflect Bill's decision. Moreover, my understanding is that Cabinet approved the text of the Green Paper circulated under cover of C(88)1 without amendment. I think it is really too late in the day to be proposing changes to the Scottish Chapter which are quite unacceptable to me because of the major political difficulties to which an explicit commitment to moving to a uniform boundary in all authorities in Scotland will expose me.

We will obviously need to discuss this again and I understand that our offices have been able to arrange a meeting between you, me, William Wallace and Michael Adams at 5.00 pm tomorrow. I have forwarded to you their

I am copying this letter to the Finance Committee, your members of Bill's and to Sir Robert Armstrong.

[Handwritten signature]