

CONFIDENTIAL

1st draft



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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

RBM

29 January 1986

Dear Tim,

CMND 9714: PAYING FOR LOCAL GOVERNMENT: THE WELSH APPROACH

- ... I attach a draft of the statement my Secretary of State proposes to make this afternoon on the Welsh aspects of Cmnd 9714 and I would be grateful for any comments on it by noon today.
- / I am sending copies of this letter and enclosure to the Private Secretaries of members of E(LF) and of the Chief Whips in both Houses and to Michael Stark (Cabinet Office).

Yours sincerely

Colin Williams

R C WILLIAMS

Tim Flesher Esq
Private Secretary
10 Downing Street

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR WALES, WEDNESDAY 29 JANUARY

PAYING FOR LOCAL GOVERNMENT: THE WELSH APPROACH

With permission, Mr Speaker, I should like to make a statement.

The Government's proposals for a fundamental reform of the way in which we pay for local government were presented to Parliament yesterday by My Rt Hon Friend the Secretary of State for the Environment.

While the Government's objectives and the principles underlying the proposals for reform apply to the whole of Great Britain, the structure of the reforms has been tailored to the particular circumstances of each country.

The major differences between the proposed package of reforms for Wales and those for England are as follows.

- The relatively low level of domestic rates in Wales, and the fairly small variation between authorities, will allow them to be eliminated earlier in Wales than in England. It should take only six years. And in half of Wales they are likely to be phased out within three years.

- There are two options for the transition to the community charge. The first - a common percentage reduction in rates - is the same as in England. The second involves using the community charge to cut rates by a standard cash sum within each district area. A percentage cut in rates would provide the most relief - in cash terms - to those households footing the highest rate bills. With the cash reduction option households with relatively low rate bills would tend to gain the most.

- The relatively compact range of non domestic rate poundages might make it possible to move to a uniform non domestic rate in Wales in only three years.

- The smaller variation in average non domestic rateable values in Wales also offers the prospect of allowing Welsh local authorities the freedom to "top up" the yield of the uniform business rate by - at some stage - 10% in Wales, rather than the 5% flexibility proposed for England.

- On the capital expenditure front, the Green Paper suggests that the control regime need not be exactly the same as that in England. My preference - at present - is for authorities to continue to have direct access to their capital receipts, within a thoroughly overhauled control system.

- Chapter 9 of the Green Paper sets out these proposals in more detail. A Welsh language version of the chapter is available from my Department on request.

The need for Councils to be made fully accountable for their decisions has been dramatically highlighted by the succession of reckless rate increases proposed by County Councils in the last week or so. The Government's

proposals would significantly reduce the risk of such irresponsible action. They would ensure that authorities would need to go to their entire electorates to find the extra cash, not just to the minority who now pay domestic rates. Furthermore, industry and commerce would be secure in the knowledge that they could not be used as a milch-cow for excessive spending.

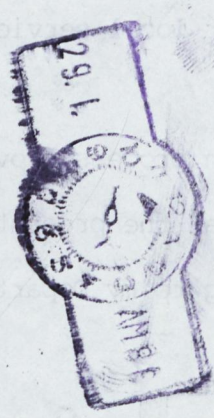
The Government hopes that the Green Paper will be carefully considered and commented on not only by the major interests and representatives bodies in Wales but also by individual tax and ratepayers. Those whose contributions actually pay for local services.

The consultation process provides a unique opportunity for all those who feel aggrieved at the present unacceptable situation to make their views known in writing to my Department. I urge them to do so.

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They would ensure that auditors would have to do their jobs
electronically to find the books clean, not just to the minute, but not pay
domestic taxes. Furthermore, industry and consumers would be secure in the
knowledge that they could not be used as a million-dollar exclusive
regarding.

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wise and also by individual tax and taxpayers. These are conditions
actually by the Government.

The Government provides a unique opportunity for all those who
are interested in the subject to make their views
known in writing. Please send your views to the Secretary of State,
London, W. 1A 0AA.



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- The smaller range of domestic rates in Wales also allows us to consider two options for the transition to the community charge. The first - a common percentage reduction in rates - is the same as in England. The second involves using the community charge to cut rates by a standard cash sum within each district area. We are seeking views on these two options.

- The relatively compact range of non domestic rate poundages might make it possible to move to a uniform non domestic rate in Wales in only three years.

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