

Local Govt  
GC JD

Prime Minister

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C O N F I D E N T I A L

PRIME MINISTER

REFORM OF RATES

But he responded to  
your comment by proposing  
direct controls on over-spending  
authorities!

MUS 27/9

I have seen your Private Secretary's letter to mine of  
13 September about my memorandum MISC 79(82)19.

You will remember that you accepted earlier MISC 79's conclusion  
that the alternatives which we had considered to domestic rates  
should be discarded (Willie Whitelaw's minute of 18 June to you  
and your Private Secretary's reply of 28 June refer). My paper  
sets out, in that context, the reforms within the rating system  
which I now think are practicable; and I well understand your  
reaction to it taken in isolation.

But these reforms are only part of a range of proposals for  
local government which need to be judged together. These include  
David Howell's Bill on Public Transport Subsidies and the items  
which MISC 79 has still to consider - such as abolition of the  
GLC and the Metropolitan Counties, and a new scheme for the  
selective control of rates by high spending authorities. There  
is also the possibility of a vigorous extension of contracting  
out in local government services which we are considering in the  
context of the review of privatisation and contracting out which  
is in hand in response to your personal minute to Geoffrey Howe  
of 28 July and his letter to Willie Whitelaw of 11 August.

I hope that you will defer judgement on the rating system  
reforms which I have proposed until all these things can be  
considered together.

Wright

M H

24 September 1982



Local  
Central  
pt 13

Cent, Relations,

*Personal and Confidential*



*Local Govt.*

10 DOWNING STREET

From the Private Secretary

13 September 1982

*Dear David,*

Reform of Rates

The Prime Minister saw over the weekend your Secretary of State's memorandum "Reform of Rates" (MISC 79(82)19).

The Prime Minister has commented that the rates problem is coming into great political prominence once again, especially in London and also with non-domestic ratepayers everywhere. The Prime Minister has further commented that she thinks the proposals in your Secretary of State's paper are totally inadequate to deal with the problem.

*Yours sincerely,*

*Michael Scholar*

David Edmonds Esq  
Department of the Environment



*ACTION*

**CONFIDENTIAL**

*MCS*

*Prime Minister ②*

*MCS 1074*

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MISC 79 (82)19 COPY NO **1**

10 September 1982

*The RATES problem*

*CABINET is coming into prominence*

MINISTERIAL GROUP ON LOCAL GOVERNMENT ORGANISATION AND FINANCE  
*one of our - especially in*

*London and also*  
REFORM OF RATES *with some domestic*

Memorandum by the Secretary of State for the Environment

*richer payers everywhere*

*(think these proposals are  
totally inadequate to deal  
with the situation)*

INTRODUCTION

1. At the last meeting of the Group, I was asked:

# CONFIDENTIAL

- discount for households with a single adult (scheme 1); and
- discount for households with a single adult and for retirement pensioner households (scheme 2).

It also analyses three further schemes which would operate on more restricted definitions of liability:

- discount for single retirement pensioners (scheme 3);
- discount for single retirement pensioners plus pensioner couples (scheme 4); and
- discount for single adults and couples in receipt of a wider range of state pensions (scheme 5).

## Flat-Rate Discounts

3. A flat-rate discount would be more effective than a percentage discount in concentrating resources where they were most needed among those ratepayers who qualified, since it would give the greatest proportional benefit to people on lower incomes.

4. The cost of a flat-rate discount, unlike that of a percentage discount, would not increase automatically with the increases in rate bills: we should therefore have to provide for periodic uprating of the discount level if we wished to present flat-rate