



Department of Employment
 Caxton House Tothill Street London SW1H 9NF
 Telephone Direct Line 01-213.....
 Switchboard 01-213 3000

The Rt Hon The Viscount Whitelaw CH MC
 Lord President of the Council
 Privy Council Office
 Whitehall
 LONDON SW1A 2AT

NSPN at this stage.

13 November 1986

De W...

NON DOMESTIC RATES

I have seen Nicholas Ridley's letter to you of 5 November, which was copied to David Young who is in China. I am broadly content with his proposals although I agree with both the modifications suggested by Norman Tebbit in his letter of 9 November. I think he makes an important point about the likely effect on business and local authority attitudes if we are seen to allow the growth in yield inherent in Nick's proposals to accrue to local government.

I believe we will need to construct a careful transitional arrangement however if we are to avoid an outcry from those businesses who will be called upon to pay significantly more under a uniform non domestic rate system. The owners of these businesses will complain that they are losing the benefits of siting their premises in low-spending authorities and being penalised with a rate reflecting in part the high spending of the Hackneys and Newcastles. The political reaction to this amongst our supporters is easy to predict. In any event sudden changes involving increases of over 15% for many ratepayers will in themselves cause disruption and outcry.

I also believe that it will disappoint business and damage enterprise if we are seen to accept the present level of business rates and merely validate it as a permanent cost. We have led industry to expect that we are about to relieve them of some of the burden imposed upon them by local government spending in recent years. I would certainly like to reduce this cost on business and employment.

I therefore suggest that we might set a target uniform rate towards which the Government would wish to move, some way below the present average rate. We could move gradually towards that average rate by indexing against RPI on non-domestic rates below that average and failing to increase non-domestic rates above that average. I realise that such a



course would have community charge or public expenditure implications if we were unable to restrain local government spending but it would help to reduce the overall burden on the business community.

Finally I hope we will not overlook the effect of the proposed new rates system on sheltered workshops, including those run by Remploy. At present they enjoy full relief from rates under the Rating (Disabled Persons) Act 1978. I trust that this exemption will continue under the new arrangements. I would be glad if Nick could confirm this.

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

KENNETH CLARKE

Local Gov't : Rating Rev. PTS.

