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CONFIDENTIAL

The Rt Hon Nicholas Ridley MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

NBRN.

28 July 1987

Dear Nicholas,

NON-DOMESTIC RATING

WITH DN?

Thank you for sending me a copy of your minute of 25 June to the Prime Minister.

We have agreed that the reserve power for the Treasury to override the automatic indexation provisions should apply north of the Border: this is relevant to the index-linked ceiling within which local authorities will set their rate poundages. I agree that, if this reserve power is to be used, it must be exercised early in the RSG and budgetary cycle. In Scotland indexation will be by reference to the year-on-year increase in the RPI for September, and as soon as that figure is available I will need to be able to prescribe the relevant rate poundage ceilings. Subject to the assurance that those concerned will co-operate to ensure that this timetable can be met in an orderly way, I am happy to agree that we should resist any proposal for an explicit time limit for the use of the reserve power to be set out in statute.

It is our objective to harmonise the valuation systems north and south of the Border. The line we took throughout the passage of the Abolition of Domestic Rates Etc (Scotland) Act 1987 was that we would judge the need for legislation to secure harmonisation in the light of the forthcoming revaluation. It would be unwise to re-open this at present on the basis of those of your proposals which might arguably be relevant to Scotland, since they would seem peripheral to the main issue. I therefore do not propose to undertake parallel consultation in Scotland. Harmonisation is of course a two-way street and I hope that you will agree that, where you are making changes, and existing Scottish practice seems broadly satisfactory, it can be adopted.

Turning to the main items in the consultation paper to which attention has been drawn:-

- i. Rating of empty commercial' property - The discretion to rate such property is little used in Scotland. Our general approach is that local authorities will have discretion to set business rates below the index-linked ceiling if they wish, the burden falling on community charge payers. It would be consistent with this not to place them under a duty to charge rates on empty shops and offices.
- ii. Future revaluations - I welcome the proposal to return to five-yearly revaluations in line with the Scottish timetable.
- iii. Winding down the domestic appeals system - Because of the more limited number of appeals between revaluations in Scotland we have seen no need for comparable provisions.
- iv. Duty to consult businesses - Because our local authorities will continue to have discretion to set a lower rate than the ceiling we re-enacted the consultation provisions in the 1987 Act. Given the differences between our systems the abandonment of consultation south of the Border should not cause difficulty to either side.

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

*Yours ever,
Malcolm*

MALCOLM RIFKIND

