

cplu



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

nbpm

Your ref:

The Rt Hon Nigel Lawson MP  
HM Treasury  
Parliament Street  
LONDON  
SW1 3AG

12 August 1988

Dear Nigel

## RATE REFORM: GOVERNMENT VALUATION SERVICES

Thank you for your letter of 13 July, about the implications of the changes in the non-domestic rating system for the organisation and staffing of Government valuation services.

I agree that our officials should get together quickly to look at this. They need to consider the changes in the valuation function that will result from the rating reforms and the proposals for changes in accountabilities on the Government's civil estate and then take a view as to how the valuation and estates staff can be deployed most efficiently and economically. Given the present shortage of these specialist staff, it is essential to make the best use of resources and avoid any unnecessary duplication.

I doubt whether another full scale review is required at this stage but the discussion between officials should throw light on what is needed. Given the moves I announced on 25 May to restructure PSA as 3 businesses, my own view is that there is a strong case for continuing to keep specialist estates staff in PSA to manage the common user estate, with others bedded out in departments to enable them to exercise their new estate management functions.

I am inclined to agree that, generally for Crown properties occupied by the Government, it is likely to be more efficient for a single payment to be made centrally into the pool, than for payments to go on being made to local authorities only for them to pay these back into the pool.

I think it is essential, however, that not only should the initial level of this payment in 1990 be based on a proper valuation, but also that subsequent changes should reflect reasonably accurately changes in the value of property. First, without this, local authorities will be deeply suspicious that our longer term

*Local Gov't: Rates Pt 11*

intention is to reduce the size of the payment or merge it into grant. Secondly, it is hard to see how Departments can be exposed to the full marginal costs of occupation unless the "rate" charged is based on a proper valuation.

There is a separate question about how payments, in respect of the community charge should be made. This might be the subject of separate official discussions.

The issues concerning fringe bodies treated as Crown occupiers for rating purposes are slightly different. More turbulence and loss of accountability might be caused by subsuming them in a single central payment than in leaving them to pay locally. In some cases the answer may be to remove them from the Crown exemption altogether.

I have no strong view as to whether the updating of the valuations on which the central payment is based should be carried out by RGPD or the Valuation Office. That can be looked at by officials along with the other issues you mention.

I am copying this letter to members of E(LF), to George Younger and to Sir Robin Butler.

*John*  
*Nicholas*

NICHOLAS RIDLEY

8/14/80  
12/11