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**NON DOMESTIC RATING**

I refer to the minute of 3 February from Nicholas Ridley seeking approval for a number of proposals which he has discussed with John Major.

Contributions in lieu of rates on Crown property

I welcome the proposal that these should continue to be identifiable as a distinct contribution, and that the value of that contribution should be properly updated at the 1990 revaluation; and I understand that it is also intended that the contribution should be kept up to date year by year thereafter, reflecting changes in the occupation of property by the Government.

Because there will be a non-domestic rate pool in England and Wales it will be possible to maintain an identifiable contribution in lieu of rates while at the same time making a single payment into the pool: a similar change will not be possible in Scotland - for the time being at least.

It is proposed that, in determining RSG each year from 1990-91 onwards, an adjustment should be made to reflect any changes in contributions in lieu; I understand that the idea is to offset changes occurring not only in 1990, as a result of revaluation and the introduction of the UBR, but also in later years if there should be "volume" changes as a result of increases or decreases in the amount of property occupied by the Crown. I am content to go along with that.

Yield of business rates

I have no comments on the proposed basis for determining the starting level of the UBR in 1990. The statutory formula for fixing maximum rate poundages in Scotland is quite different from that south of the Border, and takes account of the effects of revaluation in 1990 at an all-Scotland level.

Decapitalisation rate

I am glad that a basis has now been agreed on which consultation can begin on this matter, which is an important element in our pursuit of harmonisation of the valuation systems north and south of the Border. I must say I think there will be some criticism of the detailed structure of rates being proposed, particularly since it may look as if the Government is proposing to use arbitrarily low rates to calculate the values on which its own contributions in lieu will be based for hospitals and defence installations, which account for a high proportion of those contributions. Since, however, we are only talking about consultation at this stage I see no harm in proceeding on the basis proposed, and my officials are in touch with Nicholas Ridley's about the detailed drafting of the consultation paper.

Effects of revaluation

We do not have detailed forecasts of the effects of revaluation in Scotland. We can, however, defend the absence of this information with the general argument that, because of our more recent revaluation, the scale of the changes is unlikely to be anything like so great as south of the Border. I therefore am prepared to agree that the summary for England and Wales should be published as proposed.

I am copying this minute to Nicholas Ridley, John Major, other E(LF) colleagues and to Sir Robin Butler.

MR

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7 February 1989



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Local Govt  
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