



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

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Prime Minister 2

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RSCG  
w/r

Stephen Catling Esq  
Private Secretary to the  
Lord President  
Privy Council Office  
Whitehall  
LONDON  
SW1A 2AT

21 July 1989

Dear Stephen,

**SCOTTISH REVENUE SUPPORT GRANT SETTLEMENT 1990-91**

Following Mr Ridley's statement on the English revenue support grant settlement, the corresponding Scottish announcement is expected to be made next Wednesday, 26 July.

However, I now attach the text of our proposed announcement. This is different in form from the English and Welsh announcements, because of the continued existence in Scottish legislation, for this year only, of the concept of Aggregate Exchequer Grant. It is proposed that the announcement should also cover my Secretary of State's plans for next year in respect of business rates. These are as set out in the Chief Secretary's minute of 25 April 1989 to the Prime Minister, though as Treasury and DOE officials have been forewarned, my Secretary of State now proposes (within the total of AEG already agreed) to make slightly more progress in reducing business rates. This will be helpful to him politically, and will also provide a useful if modest extra squeeze on local authority spending.

My Secretary of State will be glad to know whether colleagues are content with the proposed announcement. I should add that Mr Rifkind hopes to be able to add material to the statement on the standard community charge, assuming that agreement on the outstanding points can be reached in time. If so, I will circulate the new material as soon as possible.

I am copying this letter to Paul Gray at No 10 and to the Private Secretaries to the Chief Secretary, Secretary of State for the Environment, Lord Privy Seal, Murdo Maclean (Chief Whip, Commons), Rhodri Walters (Chief Whip, Lords), Bernard Ingham (No 10) and Trevor Woolley (Cabinet Office).

Yours sincerely,  
Dail  
DAVID CRAWLEY  
Private Secretary



## REVENUE SUPPORT GRANT SETTLEMENT 1990-91: DRAFT STATEMENT

With permission, Mr Speaker, I wish to make an announcement about grant for Scottish local authorities in respect of 1990-91.

In reaching my decision on grant, I have had in mind the views expressed to me by the Convention of Scottish Local Authorities on their estimates of what they regard as required spending levels next year. I have also had in mind the substantial increase in the planned volume of spending by Scottish authorities this year, and the scope that undoubtedly exists for economies and efficiency improvements. A further factor is my undertaking given some time ago that - subject to Parliamentary approval of the necessary legislative changes - I would make substantial initial progress next year in reducing the rate burden on Scottish businesses.

What I am announcing today is the total of Aggregate Exchequer Grant - that is, the total of specific grants and revenue support grant - which will be paid to Scottish local authorities for 1990-91.

I propose that Aggregate Exchequer Grant for 1990-91 should be set at £2739 million. This is £242 million or 9.7% higher than the corresponding figure for this year. This figure, however, includes extra grant to allow business rates to be substantially reduced in line with the Government's stated objective of eliminating the difference in non-domestic rates as between Scotland and England.

My new proposals on business rates, which I announced on 8 May, have been widely welcomed in Scotland, and we lost no time in presenting legislative proposals to the House on 14 June. I am happy to announce today that I propose that the rate bill for Scottish business next year should be reduced below what it would otherwise be by the sum of £80 million. The CBI have estimated the excess rate burden on Scottish business to be around £250 million, and we will therefore be closing that gap by almost a third in a single year. This represents very substantial progress. I know that this, together with the other steps that are being taken on harmonisation of valuation procedures north and south of the border, will be warmly welcomed by Scottish business and by all those for

whom the private sector in Scotland provides employment. Local authorities will be compensated by increased grant of £67 million, which is included in the total figure of Aggregate Exchequer Grant which I have already given. As their contribution to this reduction in business rates, and in recognition of their welcome support for this policy, I am asking local authorities to recover the balance of £13 million by efficiency savings. This compares with total current expenditure for next year estimated by COSLA to be over £5,000 million. I am confident that it should be well within their capability to achieve these modest savings without threat to standards of service. I and my Department have already had useful discussions with COSLA on implementation of the new policy, details of which will be announced in the autumn.

The remainder of the total of Aggregate Exchequer Grant represents an increase of 7% on this year's figure, and taken together with business rate income, should enable local authorities, if they are prepared to take a grip on their spending, to set community charges not significantly higher on average than this year's levels. I hope that many authorities will already have recognised their excessive budgeting for this year and, in the knowledge of the reasonable grant settlement I am announcing today, will now plan for reasonable levels of spending and of community charge next year.

Detailed proposals for grant distribution will be put to the Convention of Scottish local authorities for consultation, in the usual way, in the autumn.







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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State for Scotland  
Scottish Office  
Dover House  
Whitehall  
London  
SW1A 2AU

*20<sup>th</sup>* July 1989

*Dear Malcolm,*

**SCOTTISH REVENUE SUPPORT GRANT SETTLEMENT 1990-91**

Thank you for your letter of 14 July. *WITH PG? (WILL REQUEST IF REQUIRED)*

I can confirm that I am also content to accept the proposals for Aggregate Exchequer Grant (AEG) that our officials have put forward. This means that AEG in Scotland in 1990-91 will be £2,679 million. This is before any addition to AEG as a result of harmonising non-domestic rate poundages.

I note that your officials will be in touch with mine over the detailed terms of an announcement.

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

*Yours Ever,*  
*John*

JOHN MAJOR

20 JUL 1989

20 JUL 1989





## Local Government Finance (Scotland)

3.30 pm

**The Secretary of State for Scotland (Mr. Malcolm Rifkind):** With permission, Mr. Speaker, I wish to make a statement about local government finance in Scotland.

First, I wish to announce my decision on grant for Scottish local authorities in respect of 1990-91. In reaching that decision, I have had in mind the views expressed to me by the Convention of Scottish Local Authorities on its estimates of what it regards as required spending levels next year. I have also had in mind the substantial increase in the planned volume of spending by Scottish authorities this year, and the scope that undoubtedly exists for economies and efficiency improvements. A further factor is my undertaking given some time ago that—subject to parliamentary approval of the necessary legislative changes—I would make substantial initial progress next year in reducing the rate burden on Scottish businesses.

What I am announcing today is the total of aggregate Exchequer grant—that is, the total of specific grants and revenue support grant—that will be paid to Scottish local authorities for 1990-91.

I propose that aggregate Exchequer grant for 1990-91 should be set at £2,739 million. This is £242 million or 9.7 per cent. higher than the corresponding figure for this year. This figure, however, includes extra grant to allow business rates to be substantially reduced in line with the Government's stated objective of eliminating the difference in non-domestic rates between Scotland and England.

My new proposals on business rates, which I announced on 8 May, have been widely welcomed in Scotland, and we lost no time in presenting legislative proposals to the House on 14 June. I am happy to announce today that I propose that the rate Bill for Scottish business next year should be reduced below what it would otherwise be by the sum of £80 million. The Confederation of British Industry has estimated the excess rate burden on Scottish business to be around £250 million, and we will therefore be closing that gap by almost a third in a single year. This represents very substantial progress. I know that this, together with the other steps that are being taken on harmonisation of valuation procedures north and south of the border, will be warmly welcomed by Scottish business and industry and by all those for whom the private sector in Scotland provides employment. Local authorities will be compensated by increased grant of £67 million, which is included in the total figure of aggregate Exchequer grant which I have already given. As their contribution to this reduction in business rates, and in recognition of their welcome support for this policy, I am asking local authorities to recover the balance of £13 million by efficiency savings. This compares with total current expenditure for next year estimated by COSLA to be over £5,000 million. I am confident that it should be well within their capability to achieve these modest savings without threat to standards of service. My Department has already had useful discussions with COSLA on implementation of the new policy, details of which will be announced in the autumn.

The remainder of the total of aggregate Exchequer grant represents an increase of 7 per cent. on this year's figure. Taken together with business rate income, it should enable local authorities, if they are prepared to take a grip

on their spending, to set community charges not significantly higher on average than this year's levels. I hope that many authorities will already have recognised their excessive budgeting for this year and, in the knowledge of the reasonable grant settlement that I am announcing today, will now plan for reasonable levels of spending and of community charge next year. Detailed proposals for grant distribution will be put to the Convention of Scottish Local Authorities for consultation, in the usual way, in the autumn.

I also wish to take this opportunity to announce a number of changes that I am proposing to make to the arrangements for administering the standard community charge in Scotland. As hon. Members are aware, the standard community charge is paid by owners, or long-term tenants, of houses such as second homes which are not used as someone's sole or main residence. I have received a significant number of representations about the standard community charge and recently received a paper from the Convention of Scottish Local Authorities outlining suggestions for change. I am quite clear that many of the problems that have arisen can be attributed directly to local authorities' decisions in almost every case to set their standard community charge multipliers at the maximum of two times the personal community charge, when they had been given discretion to set the multiplier anywhere between one and two.

Nevertheless, and in the light of the real problems that have as a result arisen, I have decided to make the following changes to the present arrangements. First, I intend to take powers to define certain classes of premises for which I will be able to prescribe a maximum multiplier. I will use that power to tackle, in particular, the very difficult case of the house that is unoccupied because the owner has to live with friends or relatives because of illness or infirmity. That is one situation in which a multiplier of up to two seems too high. If other categories of a comparable kind emerge, those powers will enable me to make provision for them.

I will also make provision to allow local authorities to determine, subject to certain conditions, their own classes of premises for which they could set different multipliers. That will allow them to take account of circumstances not covered by classes that I might prescribe, but which it is right should be the subject of local decision. That will give them, for example, discretion to set a different multiplier for the homes of old people in general who are living with relatives and for the homes of people obliged by their jobs to live in tied houses. Local authorities could also create other classes, depending on local circumstances; and a regional council would be able to set different maximum multipliers for its classes in different district council areas, something specifically requested by COSLA in the proposals which it put to me.

As a result, local authorities will have considerably greater flexibility in their operation of the standard community charge arrangements. I know, therefore, that the new arrangements will be welcomed. I am proposing that the necessary amendments to the Abolition of Domestic Rates Etc. (Scotland) Act 1987 to allow for the introduction of those changes should be made in the context of the Local Government and Housing Bill, and amendments to that Bill will be tabled. The changes will come into effect for the financial year 1990-91.

Lastly, I propose to redefine the boundary between domestic and non-domestic property so that single



[Mr. Malcolm Rifkind]

dwellings available for holiday letting are subject to non-domestic rating rather than the standard community charge.

These proposals tackle the main problems that have emerged in relation to the incidence of the standard charge and are a direct response to the concerns expressed by local authorities and others. I hope that local authorities will reciprocate by using the additional discretion that they have now been given.

**Mr. Donald Dewar** (Glasgow, Garscadden): This is clearly a significant statement. It is good to see some signs that the Government have been listening and, perhaps, even learning. The aggregate Exchequer grant is more generous than in some previous years. I hesitate, but it would be pleasant to ascribe that to the increasing influence of the new chairman of the Tory party in Scotland. However, that is probably optimistic.

The increase of 9.7 per cent. sounds generous, but a number of caveats must be made. It includes the £67 million for the reduction in the non-domestic rate. I hope that the Secretary of State will accept that the true increase is about 7 per cent. As he knows, inflation is running at more than 8 per cent. at present, so there is certainly no way in which that could be said to represent an increase in the aggregate Exchequer grant in real terms. Will the Secretary of State accept that a great deal depends on the indexation of the non-domestic rate, which I understand is a question for the Chancellor? If that were to be below the retail prices index figure, it would directly affect a council's income.

I welcome the move to help the non-domestic ratepayer. The total allocated this year is £80 million. Will the Secretary of State give an estimate of the gap to be closed? I have seen figures for the subsidy required, which varies between £250 million and £400 million. No doubt, much depends on the harmonisation of rateable value and, as well as commenting on the gap, could the Secretary of State say a word or two about how that is progressing and whether it will be completed in the revaluation of 1990? In particular, can he say whether his approach, when using the £80 million, will sharply reduce the disparity in the central belt, where the non-domestic rate is highest, or whether he intends to reduce the differential, taking Scotland as a whole? What will be the impact of today's announcement on industrial derating? Will it be held at 40 per cent.?

I welcome any signs of flexibility on the standard community charge. Many people—all hon. Members will know of such cases in their constituencies—have modest second homes, perhaps cottages and flats, whose value is reflected in a low rate bill. They have suddenly been faced with a massive increase of £400 or £500 with the arrival of the poll tax. I am glad that something has been done about the glaring injustice of an old person who moves in with relatives finding that his or her house is suddenly classed as a second home.

Am I right, however, in thinking that the general power to vary the standard charge between a multiplier of nil and two must be exercised on a district basis? For example, will a regional council be competent to decide that certain categories of houses, perhaps those that were below a certain rateable value in the last year of the old system, should attract a lower multiplier than others in the same

district? If that is not so, regional councils will be put in the difficult position of having to take a blanket approach that will inevitably create anomalies.

Does the Secretary of State accept that it is almost impossible to reconcile the treatment of second homes, by means of what is unashamedly a property tax, with the poll tax, which is a form of individual taxation?

While we are dealing with injustices, can the Secretary of State say whether he has had second thoughts about Alzheimer's disease because of the strong medical case which suggests that there is no essential difficulty in assessing when the illness has reached the point when exemption is justified? Is not the present situation, where patients with exactly the same presenting symptoms are treated in different ways for poll tax purposes, completely indefensible? Will he move on that matter?

The Secretary of State and his PR department have worked hard to try to establish this as a generous settlement. In fact, it is worse than a standstill, and it does nothing to undo the damage done to essential services and to the fabric of local democracy in recent years. He will certainly have to do better.

**Mr. Rifkind:** I think that the last two sentences were the only part of the hon. Gentleman's comments that were written before he saw the statement, as they bore little relation to his other comments. I thank the hon. Gentleman for his opening remarks, which described the settlement as, "more generous than in recent years". I appreciate that his view of recent years may not be the same as mine. Nevertheless, I think that, by his standards, that amounts to a compliment. I confirm that the increase, when one removes the element relating to business rates, is 7 per cent. The hon. Gentleman suggests that is not sufficient, but it was COSLA itself which said that that was what it needed.

**Mr. Dewar indicated dissent.**

**Mr. Rifkind:** It is no use the hon. Gentleman shaking his head. Mr. MacIver, the general secretary of COSLA, said that it required at least 7 per cent. to meet its needs—[HON. MEMBERS: "At least."]—and that is exactly what it has been provided with. [HON. MEMBERS: "When did he say that?"] I am happy to give that information. He was quoted in an article in the *Glasgow Herald* on 20 July as saying:

"We are certainly hoping for an increase of at least 7 per cent. for the coming year."

The Government have been happy to respond to that aspiration and that is the least that we are entitled to claim.

The hon. Member for Garscadden welcomed the proposals on business rates. I am grateful to him for that. The figure—or the gap—that has to be accommodated is £250 million. The CBI in Scotland has identified that figure and the Government have endorsed it as their best assessment of the gap. Meeting that to the extent of £80 million in the current year is a massive step towards eliminating a discrepancy that has been caused primarily by the high level of Scottish local authority expenditure, which the previous Labour Government made no attempt to deal with. Distribution will be dealt with later in the year when we announce the distribution of grant available.

Industrial derating will continue until the gap between rating levels in Scotland and England is eliminated. The original purpose of industrial derating was to assist with that difficulty.



I welcome the hon. Gentleman's friendly comments on what the Government propose to do about the standard charge. I have to emphasise that what we are proposing is not a property tax—[*Interruption.*] No. As I explained, it is quite simple. The level of discretion available to the local authority will not depend on the kind of property that it is dealing with, but on the personal circumstances of the individual concerned. That is why it is consistent with the community charge principles on which we have put forward these matters.

The hon. Gentleman asked about Alzheimer's disease and whether the Government had anything to add on that matter. We have emphasised all along that if a method of dealing with the matter in a responsible way is identified in the way that my hon. Friend the Minister of State has explained on several occasions, we would have no objection in principle to seeking to accommodate people. I have nothing to say to the House today about that matter and I do not know whether it will be possible for such a distinction to be identified.

**Mr. Alick Buchanan-Smith** (Kincardine and Deeside): Does my right hon. and learned Friend acknowledge that the difficulties in which the hon. Member for Glasgow, Garscadden (Mr. Dewar) found himself underlined the success of the statement? I am sure that my right hon. and learned Friend will not be surprised if I concentrate on the standard community charge on which I have campaigned and plagued him and our hon. Friend the Minister of State in recent months. I thank him warmly for his announcement. We are less worried about the classification of the charge as long as it moves in the right direction—as it does.

I should like to ask two questions. First, is my right hon. and learned Friend quite sure that it is right to leave discretion about some aspects with local authorities, given the way that local authorities have extracted the maximum that they are able to extract in the current year? Secondly, what is the position of people with a second home which may or may not be let but which may be held by someone of modest means who has not been paying much in rates? Will that be covered? If it is not it should be.

**Mr. Rifkind:** I very much hope that even now local authorities will seriously consider whether they should insist on the maximum multiple or whether, as a generality, it would be appropriate to have a more modest figure. That option is available to them and I hope that they will take it. I thank my right hon. Friend for his warm welcome for the standard charge proposals. He explicitly asked about matters being left to the discretion of local authorities. We gave considerable thought to that question and think that it is appropriate that it should be left to local authority discretion.

As I sought to explain earlier, we are essentially dealing with the personal circumstances of individual standard charge payers. It would be difficult either through primary legislation or by methods determined entirely by central Government to distinguish in a way that would be sensitive to the personal circumstances of such standard charge payers. I am pleased that in its paper to us COSLA said that if given these powers it would wish to use them and would recommend to local authorities that they should be used for the purposes that I have indicated.

Therefore, we have every reason to assume that local authorities will use the powers that they asked for and have been given.

**Mr. David Steel** (Tweeddale, Ettrick and Lauderdale): We too welcome the sinner who repenteth. The Secretary of State will remember that only a month ago we moved a new clause to provide exactly this provision in the English Bill. It is a great pity that he did not accept it at that time. Some of us wish that the sinner would sound as if he repenteth. Does the Secretary of State accept that his repeated assertion that local authorities decided to apply a multiplier of two ignores the fact that the revenue support grant formula that he imposed assumed that they would apply that multiplier? In view of what the Secretary of State has said, will he say that if they do not do so in future they will not suffer under the revenue support grant system? As I understand it, if they had applied a multiplier lower than two in the past, they would have had to pass on the excess charge to all community charge payers at a level of perhaps £2 or £3 a head. Will the right hon. and learned Gentleman come clean and admit that that is so?

Secondly, I should like to ask about the 7 per cent. support assumption in the coming year. As we have not yet got the NALGO pay settlement and as inflation is already running at 8.3 per cent., is that assumption not yet another sign that local government will continue to be severely squeezed? Local authorities in my area which are careful spenders will strongly resent that. Will he explain how it is that under this system Scottish poll tax payers will end up facing an average of well over £300 next year compared with the English average of £275 and the Welsh average of £175? How has the Secretary of State for Wales managed to screw more out of the Treasury than the right hon. and learned Gentleman got?

**Mr. Rifkind:** The right hon. Gentleman has asked me three questions, to which I shall respond. First, I am intrigued by this assumption that local authorities paid complete attention to the assumption in the rate support grant settlement with regard to the multiplier. If that was of such importance to them, I shall bear it in mind when determining what the assumption should be next year and we shall see what effect it has on local authority use of that discretion next year. I am grateful to the right hon. Gentleman for putting that proposition to me.

Secondly, the right hon. Gentleman referred to the NALGO pay settlements, which have not yet been resolved. Local authorities are the employers, so they have it in their own hands to determine what settlement they will agree to. I assume that COSLA had that in mind when it said that a 7 per cent. grant would meet its needs and that that was what it expected.

Thirdly, I am delighted that the right hon. Gentleman has asked me to explain the different assumptions that are being made about the likely level of community charge in Scotland compared with England and Wales. The reason is a simple one, which relates entirely to the different levels of local authority spending. Despite high grants from the Scottish Office—probably a level of grant that compares extremely favourably with either England or Wales—the expenditure of Scottish local authorities per capita is £978 while in England, it is £773 and in Wales £776. That is for comparable services, eliminating services, such as water, that are carried out by local authorities in Scotland, but not in England. Therefore, for exactly comparable



[*Mr. Rifkind*]

services, there is expenditure per capita of £200 more in Scotland than in England or Wales. Therefore, I say to local authorities, "Physician, heal thyself."

**Sir Nicholas Fairbairn** (Perth and Kinross): I congratulate my right hon. and learned Friend on his excellent statement. I ask him to remind Scottish local authorities that it was purely for political reasons that they used the multiplier of two. When he comes to see what comparable categories emerge in the orders that he proposes, will he use as general a concept as possible so that it is not restricted to individual types, such as those that he mentioned, but in general gives equity to all who deserve it and should not be paying such a high charge?

**Mr. Rifkind**: I agree with my hon. and learned Friend that the purpose of the discretion that has been made available is to deal with what both sides of the House would recognise are the particularly difficult cases—for example, an elderly person who might be living with a son or daughter, keeping his home empty for the time being while deciding whether he wishes to return to it, of a person who might have bought a house for his retirement but is still living in tied accommodation, or other such categories. When dealing with such cases, it is important that the full standard charge is not insisted upon. Local authorities have said that they would wish to use the discretion if they were given it to help in such cases and we are happy to enable them to do so.

**Mr. Dennis Canavan** (Falkirk, West): If the Government are intent on introducing amending legislation on local government finance, will the Secretary of State also take the opportunity to introduce an amendment to stop the disgraceful practice whereby people are being hounded for the poll tax even after they are dead?

**Mr. Rifkind**: I ask the hon. Gentleman to address any such complaints to the local authority in which he lives. The local authority is not answerable to me for the way in which it chooses to go for any debts to which it may be entitled.

**Mr. Allan Stewart** (Eastwood): I warmly welcome what my right and learned Friend said about business rates, which are of great importance to jobs and the competitiveness of Scottish industry. Was not my right hon. and learned Friend's generous rate support grant for this year simply followed by excessive increases in expenditure by far too many Scottish local authorities? Does not the success of what he has said about RSG, and his welcome moves on the standard community charge, depend on the assumption that Scottish local authorities will act reasonably? If that assumption is not fulfilled, there will be outrage in Scotland.

**Mr. Rifkind**: My hon. Friend can take some comfort from this: given that the increase in revenue support grant is equivalent to the projected level of inflation and at a figure that the local authorities themselves said corresponded to their needs, and if, as a consequence of the overall position, there is higher expenditure and there are higher community charges than necessary, the finger of responsibility can be pointed in only one direction. I believe that that will concentrate the mind wonderfully.

**Mr. Andrew Welsh** (Angus, East): Surely, at 7 per cent., the settlement is below the rate of inflation and a poorer deal than the one obtained in England and Wales—especially at a time of high interest rates? It must mean a cut in local government services.

When making these changes, will the right hon. and learned Gentleman look into the problem of those with Alzheimer's disease and explain what is holding him back from doing something about the inherent unfairnesses in the legislation?

**Mr. Rifkind**: On the second point I cannot usefully add to what my hon. Friend the Minister of State has said on several previous occasions.

On the earlier point, the hon. Gentleman should appreciate that the rate of inflation that is relevant is not the current rate but the projected rate for the financial year in question. That is presumably why COSLA itself has said that 7 per cent. is appropriate.

**Mr. Dick Douglas** (Dunfermline, West): When removing the supposed anomaly in relation to the standard rate, will the Minister have a care? Apparently, it will apply prospectively in England and Wales but not retrospectively in Scotland, because people will have already paid on properties that the right hon. and learned Gentleman should be excluded.

In relation to the point raised by my hon. Friend the Member for Falkirk, West (Mr. Canavan), I have today received a letter saying that the local authority in Fife has gone for a four-day period. A man aged 55 died in Kincardine, and the authority has gone for £3.21. What feelings must be in the mind of the man's widow now that the local authority has imposed that on her? The Secretary of State must not tell us that the local authority is doing this willingly; it is doing it because it knows that the Accounts Commission would be on to it if it did not.

**Mr. Rifkind**: That is not true. I seem to recollect reading of a similar case in Grampian region in which, once the authority had identified the circumstances, it immediately declared them a *de minimis* case in which the sum would not be requested.

The hon. Gentleman knows perfectly well that local authorities can use their discretion to decide whether the circumstances are such that they will not seek payment. Naturally, we would all hope that local authorities will apply appropriate sensitivity to cases of personal tragedy of this sort—it is within their power to do so. The local authority in the Grampian region, in circumstances with which the hon. Gentleman is familiar, did just that. I do not know the circumstances of his particular case, but if the local authority believes that it is justified to do so, it has complete discretion to act in the way that the hon. Gentleman has suggested.

**Mr. Harry Ewing** (Falkirk, East): Does not the Secretary of State understand the reason why £200 per head more is spent in Scotland than in England and Wales? It is because of his activities of the past few years in relation to local government services such as education, housing, roads and social work. We have more problems in Scotland with these local government services precisely because of the activities of the right hon. and learned Gentleman and other Scottish Office Ministers.

Why, having included a multiplier of two in the legislation for the poll tax, does the Secretary of State now



complain because local authorities are using that multiplier? He wants none of the blame for putting it in the legislation, but he now wants the credit for changing the legislation which he was responsible for imposing on local government in the first place.

As for the point raised by my hon. Friends the Members for Falkirk, West (Mr. Canavan) and for Dunfermline, West (Mr. Douglas)—the problem of the sending out of accounts to people who have died since the last payment of the poll tax—I want the Secretary of State now to give every regional and islands authority in Scotland, and its councillors, an absolute guarantee that if they do not charge this poll tax they will not be surcharged. The right hon. and learned Gentleman is obliged to provide such a guarantee.

**Mr. Rifkind:** On the hon. Gentleman's final point, questions of surcharge only arise—[*Interruption.*] I hope the hon. Gentleman will do me the courtesy of letting me answer his point. Such questions arise only when there is a recommendation from the Accounts Commission; but it goes without saying that if a local authority is faced with a personal tragedy, where the sums involved are very small, and it exercises its discretion not to seek payment of the account, I cannot conceive of any situation in which a Secretary of State would want to surcharge the councillors in question. I do not think that I can be more explicit than that in expressing my views.

The hon. Gentleman made comparisons with England and Wales. He tries very hard, but he knows perfectly well that the policies pursued by the Government apply to Scotland, England and Wales. Many Labour-controlled authorities in Wales appear to live with levels of expenditure not just marginally but dramatically—as much as £200 per capita—less than Labour-controlled authorities in Scotland. That cannot be explained on the basis of Government policy, which is consistent throughout the United Kingdom, although local authority expenditure is not consistent throughout the United Kingdom.

**Mr. Nigel Griffiths** (Edinburgh, South): Does the Secretary of State not realise that the statement is bitter news to thousands of carers—[*Interruption.*] Conservative Members may laugh but this year those people are being driven from their original homes because they have chosen to move in with and look after disabled and elderly relatives, often leaving country dwellings for which the rates were under £100. They are now having to find up to £500 and £600 this year. Why does the Secretary of State not offer them more help now? By the time the statement comes into effect, they will have sold the original properties and will have no way back.

**Mr. Rifkind:** I would not be able to accuse the hon. Gentleman of humbug if he had put that proposition to Lothian regional council when it was contemplating applying the full multiplier with the full support of the hon. Gentleman and his Labour party colleagues.

**Mr. John McAllion** (Dundee, East): If the Secretary of State thinks that 7 per cent. in Scotland is sufficient to cover the projected growth of inflation for next year, will he explain why it was necessary for his right hon. Friend to announce an 8.5 per cent. increase for England and Wales last week? Furthermore, will he explain why it is necessary to have a full year transitional safety net to

cushion the impact of the poll tax in England and Wales but not in Scotland? If he believes that the people of Scotland should remain part of a unitary United Kingdom, why does he persistently allow Scotland to be treated as an inferior, less-deserving and less-worthy part of the United Kingdom?

**Mr. Rifkind:** First, my right hon. Friend did not announce an 8.5 per cent. increase for England and Wales. Secondly, it is not only my view that 7 per cent. is sufficient; it is also the view of the Convention of Scottish Local Authorities. Thirdly, the hon. Gentleman appears to be completely ignorant of the fact that there is a safety net in Scotland, which is applied in much the same way as that for England and Wales.

**Mrs. Margaret Ewing** (Moray): While most of us in the House recognise that the Secretary of State has shown an element of flexibility on the community charge, perhaps his end-of-term report card should be stamped, "Could do better". Why has he not produced clearer definitions of the sole or main residence for individuals? That is particularly important in rural constituencies where people who live away from home for the purposes of work are being charged standard rate community charge in their digs while paying the personal community charge at the family home.

Secondly, in regard to poll tax accounts being issued to families of the recently deceased, will he advise the House what he regards as a small amount, as in my constituency, the sum has been as small as £1.34? Is it not the Government's responsibility to give clear guidance to our regional and islands authorities on the matter, because the reply that I received from his colleague the Minister of State, who was then responsible for the community charge, said that councils must take account of what the auditors say? If the auditors recommend that the poll tax on the recently deceased has to be collected, the councils are placed in a difficult position. It is therefore up to the Government to produce clear guidance stating that poll tax will not be charged for the month in which a person died.

**Mr. Rifkind:** Naturally, I will give some thought to whether guidance to local authorities would be helpful, but the hon. Lady will appreciate that it can be only guidance and the local authority must take its own decisions in the light of the circumstances. Individual local authorities have already shown a willingness to use common sense and their discretion in this matter, illustrating that that is perfectly available to them if they choose to use it.

The hon. Lady also asked about sole or main residence, but she will appreciate that, in particular cases, that is primarily a matter for the community charge registration officer. Today I have said that local authorities will have much greater local discretion to deal with particular classes of situation, which may be a way in which to meet the point raised by the hon. Lady.

**Mr. John Home Robertson** (East Lothian): The Secretary of State said that the Government might be prepared to do something about the imposition of the poll tax on people suffering from conditions such as Alzheimer's disease if someone else can come up with some suitable suggestions. May I gently remind the Secretary of State that he is, whether anyone likes it or not, the government of Scotland. He is responsible for the poll tax



[Mr. John Home Robertson]

and he is responsible for the unfair application of the tax on such people. I am sure that all of us welcome the fact that the Government have acknowledged that the standard poll tax is unfair and unworkable, although we are now left with multiple discretion among local authorities and the Scottish Office, which could make things even worse. Does he accept that the basic iniquity still exists, because a family on a low income in a small house will still pay more than Her Majesty the Queen with a second home at Balmoral castle?

**Mr. Rifkind:** On Alzheimer's disease, may I gently remind the hon. Gentleman that those suffering from that disease were liable for the payment of domestic rates for many years without the hon. Gentleman feeling obliged to argue that that was iniquitous or undesirable. [Interruption.] No, they did not get exempted if they were the ratepayers of the property concerned. Many people with Alzheimer's disease were obliged to pay domestic rates for many years and the Labour party never seemed to think that that was a matter against which it should campaign. The Labour party could at least have the integrity not to suggest that, somehow such payment has only now become an issue because of the introduction of the community charge. We shall continue to consider the possibility of a proper system of assessment being devised. If that happens we will then be happy to respond, but until we are able to do so, obviously there is nothing that I can add.

**Mr. Alistair Darling (Edinburgh, Central):** Does not the Secretary of State accept that the amount of money distributed to each local authority is the major factor in determining how high or low the poll tax is? Is he proposing to follow the example of the previous Secretary of State for the Environment by fixing the amount of the settlement in each case depending on the likely political fortunes of the Conservative party or is he prepared to treat each local authority in the same way? Is he aware that had Lothian received the same safety-net arrangement as Strathclyde this year, the Lothian poll tax could have been between £60 and £80 lower than it is? Is he prepared to carry on rigging the figures in a desperate attempt to gain advantage in the regional elections next year in one of the few parts of the country where the Tories do not face an absolute rout?

**Mr. Rifkind:** Obviously, the hon. Gentleman could not find anything to say on the statement and therefore he wants to broaden the exchanges that we are having. He will know that it is a tradition in Scotland that matters of distribution are dealt with later in the year, after consultation with the Convention of Scottish Local Authorities. He will also know that, usually, the formula that is applied for the distribution is agreed with COSLA.

The hon. Gentleman seems to be blissfully unaware of the fact that the subsidy of certain Scottish local authorities continued for many years with the acquiescence and indeed, enthusiasm, of the hon. Gentleman and his hon. Friends. It is this Government who are, for the first time, eliminating that subsidy, but rather than doing it all at once we are phasing it out over several years. The hon. Gentleman was happy to live with a subsidy when there was one, but now complains because we are

phasing it out and says that it should be phased out all at once. That shows that he changes his views as quickly as he changes his mind.

**Mr. Tom Clarke (Monklands, West):** If the relationship between the Secretary of State and COSLA is as cosy as he seems to suggest why is it necessary for him to produce an obscure and selective comment from the *Glasgow Herald* to justify that assertion? Can he tell the House precisely what discussions he has had with COSLA and what it has said to him about his proposals? As part of that precision, when he talks about projections can he tell us the projected figure for inflation, because the House has not been told? What is the projected figure for wage settlements? We have not heard about that either. As the Secretary of State has referred to interest rates what projected figure does he have in mind for interest rates in respect of small businesses as well as local government? As we are anxious to hear what COSLA had to say and as COSLA could not possibly have known about the Government's response to the Griffiths report, is there an extra ha'penny in the statement to recognise the new responsibilities for community care?

**Mr. Rifkind:** I have already said that certain of the preparatory work that may need to be done will be taken into account in the RSG settlement.

Our relationship with COSLA could never be as cosy as it was when the hon. Gentleman was its distinguished president, in the Government's early years. Clearly, the hon. Gentleman's departure from his local government responsibilities has inevitably had its effect. He asked me what COSLA's representations were. When I last met COSLA, it suggested, not only to me but publicly, that the Government were going to give it a grant increase of only 1.7 per cent. It went on record as saying that it needed at least 7 per cent. if it was to meet the needs of its local authorities. That is exactly what it has got. The hon. Gentleman should be the first to welcome that.

**Mr. Brian Wilson (Cunninghame, North):** On the right hon. and learned Gentleman's latter comments on Alzheimer's disease, I remind him, although he surely needs no reminding, that the difference is that the poll tax is a personal charge, which, according to the Government's rhetoric, is accompanied by accountability by local government to the individual. I unreservedly welcome the relief that the right hon. and learned Gentleman's announcement will bring to those who care for the sick and elderly at home while the temporarily empty house is retained. The scandal is that it has taken three years of planning and four months of implementing the poll tax and will take another eight months of waiting for this cruelty to be addressed, under duress from the Opposition and local authorities.

Does the right hon. and learned Gentleman accept that the fundamental second home problem has still not been confronted by his statement because a district council will still be unable to differentiate between a second home single-end and a second home castle, and therein lies the endemic unfairness of the standard community charge?

**Mr. Rifkind:** The main reason why it has been necessary to respond in this way is that the local authorities throughout Scotland, with the honourable exceptions of Shetland Islands and Western Isles, have sought to impose the maximum standard charge, irrespective of the consequences to which the hon. Gentleman has referred. If



the local authorities had not done so, these problems would not have arisen. The hon. Gentleman should reflect on that point.

## Scottish Enterprise

4.11 pm

**The Secretary of State for Scotland (Mr. Malcolm Rifkind):** With permission, Mr. Speaker, I should like to make a statement. Last December, I published the Scottish Enterprise White Paper on my proposals to integrate the functions of the Scottish Development Agency, the Highlands and Islands Development Board and the Training Agency in Scotland. I invited comments by 31 March 1989.

I have been delighted by the volume and constructiveness of the 420 responses and by the extent of support demonstrated. In reaching my decisions, I have sought to build on that support. There was overwhelming agreement for the principle of creating two new bodies, in which the functions of the Scottish Development Agency and the Highlands and Islands Development Board would be integrated with those of the Training Agency in Scotland.

Many welcomed the name "Scottish Enterprise", but some called for the retention of the names "Scottish Development Agency" and "Highlands and Islands Development Board", and there was strong insistence from the north, whatever title was chosen, to retain the word "Islands". We are creating a distinctive new structure which will be more than the sum of its parts and which requires a new identity. I have therefore concluded that the new bodies should be called Scottish Enterprise and Highlands and Islands Enterprise respectively. The SDA and HIDB logos are widely recognised, and I see merit in retaining them to provide an element of continuity, but that will be for the new bodies to decide, as will the way that they market themselves abroad.

There was virtual unanimity for the proposition that the network of local agencies, or enterprise companies, as we now intend to call them, should have a contractual relationship with Scottish Enterprise, in keeping with their private sector focus. The constitution of the companies means that there are important issues of public accountability, propriety, control of public expenditure and value for money to resolve, and I have asked my officials to seek ways of ensuring that public funds are properly safeguarded.

In the light of comments received, I am now proposing a network of 12 companies in the lowlands and eight in the highlands and islands. I have made available a map showing the proposed areas for each company, but where consortia feel that the map that I am proposing does not fit in with their ideas, I should, of course, be willing to consider specific proposals for variation. As regards functions, I can confirm that the full range of statutory powers that the SDA and HIDB now possess will be available for Scottish Enterprise and Highlands and Islands Enterprise, and I accept the recommendations that the latter should discharge the environmental role in the Highlands and Islands currently undertaken by the SDA.

I was impressed by the extent of support for devolving substantial powers relating to enterprise creation to the local enterprise companies from the outset, and against that background, my proposals now involve a major step in the direction of local delivery of economic as well as training functions from the start. We shall, of course, continue the SDA and HIDB policies of withdrawing in favour of private sector provision wherever that is practicable and sensible.



[Mr. Malcolm Rifkind]

I found it a great attraction as an initial step in the SDA's approach that the enterprise companies should operate within spending limits that would enable them to take responsibility for the great majority of projects, and that responsibility for major projects outside those limits should be retained at the centre. I intend to apply that principle to both Scottish Enterprise and Highlands and Islands Enterprise. I intend also that the extent of delegation to local enterprise companies should be increased progressively.

The central bodies will have a strong strategic role and will therefore set the policy framework and monitor the local companies; design, develop and secure the implementation of projects and programmes, particularly in industry and enterprise development with an applicability across their areas; approve major projects that fall out with the companies' competence; and handle certain functional activities including major investments, inward investment attracted by Locate in Scotland, marketing and the design and implementation of major physical programmes. They will ensure that the Government's Great Britain-wide training policies and priorities are pursued and Government guarantees fully satisfied. They will also ensure that programmes in support of enterprise delivered on behalf of the Department of Trade and Industry are being satisfactorily discharged and provide central support services.

Local enterprise companies will have the following functions, depending on their capability and the spending limits agreed. In the Scottish Enterprise area, large and strategic projects apart, they will have SDA functions in respect of the development of property, land reclamation and environmental improvement projects, advice and assistance to business, and urban renewal. In the Highlands and Islands area, the same approach will apply to the range of HIDB functions. In both areas they will carry out the range of training functions presently delivered by the Training Agency's area offices and seek to stimulate greater involvement by employers in training. They will also have the scope to devise specific initiatives to meet local needs.

There will be differences in approach between the Scottish Enterprise area and the Highlands and Islands Enterprise area, reflecting their different population, geographical and other characteristics, but there will be an underlying consistency. I have asked officials to work up proposals to ensure that there is a clear framework within which the local enterprise companies are to operate, and that the companies have maximum flexibility, compatible with public accountability, to tailor their activities to local circumstances.

In the light of the comments received on two of the programmes at the interface between industry and education, I have concluded that the Training Agency's technical and vocational education initiative—TVEI—should now move to the Industry Department for Scotland and that PICKUP, the professional, industrial and commercial updating programme administered by the Scottish Education Department, should transfer to Scottish Enterprise and Highlands and Islands Enterprise.

The resources for the new bodies will initially be broadly those that would have been made available in total to the SDA, HIDB and the Training Agency in Scotland.

Turning now to management, many have suggested that an increase to 12 for the Scottish Enterprise board would offer considerably more scope, while retaining the efficiency advantages of a compact board. I propose a board of not less than nine and not more than 12 members inclusive of the chairman and the chief executive, who will be an ex officio member. I propose a similar approach to Highlands and Islands Enterprise but, in recognition of the fact that the number of those able to serve will be circumscribed by distance and sparsity of population, I propose a 7:12 formulation. There is broad support for our proposals that two thirds of the board should be drawn from the private sector and members of both boards will be chosen on a personal basis, for the contribution that each can make. We need the best people in their own right.

With regard to the boards of the local enterprise companies, we shall wish to see directors chosen for their individual contribution, reflecting the range of local interests. Two thirds will come from the private sector, and there will be a board of not fewer than nine or more than 12 in the Scottish Enterprise area and between seven and 12 in the Highlands and Islands.

However, the bigger the range of local interest that supports the company the better. I have been pleased by the enthusiasm expressed by the local authority sector, by education and training specialists, the voluntary sector and the trade unions for the objectives of Scottish Enterprise and their desire to be involved.

As regards staffing. It is important that staff are given a clear indication about their future. There are three aims to be fulfilled: Scottish Enterprise should have a single ethos and staffing structure, as should Highlands and Islands Enterprise; local enterprise companies should have as much freedom as possible to choose their own staff and the arrangements should meet the best interests of existing staff.

I therefore propose that every member of staff employed by the Scottish Development Agency should be offered, three months before the establishment of Scottish Enterprise, employment on no worse terms with Scottish Enterprise, with scope for voluntary secondment to an enterprise company. I propose a similar approach for HIDB staff. As regards the training agency, every member of staff employed in Scotland should be offered, three months before the establishment of the new bodies, the choice either of employment on no worse terms with Scottish Enterprise or Highlands and Islands Enterprise as appropriate, with scope for voluntary secondment to an enterprise company, or alternatively of secondment to Scottish Enterprise or Highlands and Islands Enterprise, with up to three years to decide whether to transfer on the same basis permanently or to return to Civil Service. I am sure that the local enterprise companies will recognise the value of taking most of their staff on secondment terms from the skilled and experienced pool of existing staff, but they will also have scope to employ their own staff.

Finally, let me say how I now see the way ahead. I shall seek an early opportunity for legislation to bring Scottish Enterprise and Highlands and Islands Enterprise into being as soon as possible. As there is overwhelming enthusiasm for our suggestion that it might be possible to go ahead with some local enterprise companies in advance of legislation, within the next few weeks I shall be launching a prospectus which will invite the business community to form consortia to bid to become local