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From The Secretary of State for Wales

*NBAH de
Min steps.*

The Rt Hon Peter Walker MBE MP

CT/6210/89

29 August 1989

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FORMULA RATING REVIEWS

Thank you for your letter of 2 August on this matter, together with your detailed proposals for cumulo values for the formula-rated industries. I have also seen the letter of 9 August from the Prime Minister's Private Secretary.

At an earlier stage, Nicholas Ridley and I were agreed that the proper approach in this matter was to seek to achieve valuations which were based, so far as possible, on a methodology consistent with rating valuation principles. As we know, formula rating is not a wholly satisfactory method of deriving rateable values. I nevertheless consider that your proposals, based on our agreed approach, do achieve a good measure of equity as between conventionally-assessed and formula-rated industries; the asset values approach is analogous to the well-established "contractor's principle" of valuation; whereas the recourse, in one or two instances, to turnover (although, I appreciate, inevitable) does take us quite far away from proper rating principles. Further, I would see fundamental objections to any suggested alternative based upon rolling forward 1973 List Valuations by some average figure - this would do no more than maintain existing unfairness in the distribution of tax burdens, whereas the 1990 revaluation as a whole is intended to redistribute those burdens more fairly.

It follows from what I have said that I agree both with the detail of your proposals and with your suggestion to move these industries into conventional assessment for 1995. I await with interest your proposals for division of these industry valuations as between England and Wales for the 1990 List.

/ I am copying this letter to the **Prime Minister**, Nicholas Ridley, Malcolm Rifkind, Norman Lamont, Cecil Parkinson, John MacGregor, and to Sir Robin Butler.

The Rt Hon Chris Patten MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
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