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PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR DEFENCE FOR THE ARMED FORCES

D/US of S(AF)ADG 5/2/3

2-1 May 1990

Dear David,

- will request & required.

Thank you for your letter of 5 April concerning the difficulties at local level that have arisen following the introduction of the new arrangements for Local Government finance. I have also seen Norman Lamont's reply to you, dated 26 April.

The principle of making special payments to alleviate the problems caused by the introduction of the Community Charge in areas where there is a large presence of US Forces is a matter which is of course principally for you and the Treasury to decide upon. However, as I understand it the District Councils are already being compensated by central Government for the lack of revenue from US servicemen, but are declining to pass some of this on to the Parishes. You are therefore suggesting that the MOD should step in to alleviate the problems caused by the District Councils.

I am afraid I feel very strongly that the Ministry of Defence should not become involved in administering this scheme. From our perspective, there are three main difficulties with your proposal. First, it would for the first time involve the MOD in financing local authorities, albeit on a very limited scale. I fear that this would be a significant burden. Even if we had staff available, officials here have no training or experience in local government finance. Secondly, I think it could seriously affect the relationship between RAF Stations and their local community if our local representatives were seen as being involved in operating a discretionary scheme like the one you propose. As you will appreciate, we work hard to maintain a good relationship between defence establishments and their neighbours, and I would be very reluctant for this to be complicated further by factors outside our control. Finally, although you see this scheme operating for one year only, and Norman Lamont has made this one of the conditions of agreement, I think it is very likely that people living in the parishes concerned would expect it to continue. Although you would no doubt make available to us the funds to operate the scheme in the first year, the criticism for ending it thereafter, or the costs for running it on, are likely to fall to us.

David Hunt Esq MP

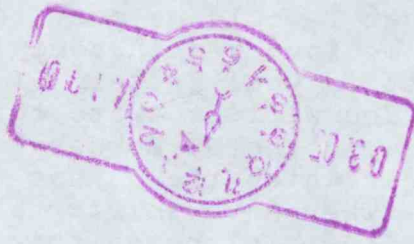


I am afraid therefore that I would be most reluctant to accept that the MOD should become involved in administering the type of payments that you suggest in your letter. I also have a more fundamental objection. You will be aware that officials are currently in discussion with the US Embassy over a replacement for the arrangements under which the US has contributed to the cost of local services. They have so far taken an intransigent position in the negotiations. Although this is primarily for the Treasury, I am most concerned that the sort of payment you have in mind will take the pressure off the US to alter their current position and will completely undermine our negotiating strategy.

I am sending copies of this letter to the Prime Minister, Norman Lamont, Peter Walker, Malcolm Rifkind, and to Sir Robin Butler.

The Earl of Arran

LOCAL GOVT Rates



10/10/10