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Rt Hon Christopher Patten MP  
Secretary of State for the Environment  
2 Marsham Street  
London  
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20 June 1990

Dear Chris,

GENERAL REVALUATION IN NORTHERN IRELAND

Thank you for your letter of 17 April in reply to mine of 30 March. I have also seen the Prime Minister's comments, as recorded in her Private Secretary's letter of 13 April.

As I said in my letter, I was conscious of the potential sensitivity of such an announcement at this time and, in the light of your concern, I shall postpone an announcement for the time being and consider the points which have been made. Both the Prime Minister and you made a distinction between domestic and non-domestic revaluation. The difficulty with proceeding with non-domestic revaluation is that, while we remain with a rates based system, this does nothing to adjust the relative burdens between sectors and could fuel speculation that we had in mind the possibility of changing the basis of local authority finance as far as the domestic sector is concerned.

As to the harmonisation work, the Valuation and Lands Office here has already been associated with the work of the Harmonisation Steering Group and I welcome your suggestion that this be continued and made more formal. I shall want to look carefully at the scope for reading across from the work of the Group to ensure the highest possible degree of harmonisation of methods and approach, but without this necessarily being tied to actual synchronisation of the timing of all three revaluations.

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In assessing the timing of revaluation locally, I shall have to take account of the strength of pressures for action, particularly from the commercial sector. The last revaluation took place in 1976 and the political, social and economic changes which have taken place since then have had major effects on property values. These changes are not reflected in the current valuation list and the pattern of assessments established in 1976 no longer provides a fair distribution of the rate burden for many ratepayers. The current appeals system cannot adjust for this. We are meeting increasing difficulties and costs in maintaining the Valuation List and a greater number of appeals against current valuations. It also raises the possibility of a legal challenge. I intend, therefore, to review the overall position on revaluation and will then consult colleagues about the way ahead.

I am copying this letter to the Prime Minister, Norman Lamont, Malcolm Rifkind and David Hunt and to Sir Robin Butler.

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LOCAL GOVT: RATES Pt 19



SECRET AND PERSONAL

1. Following the Solicitor General's advice there are three main questions:

- i. with what confidence can the Government rely on the new legal advice?
- ii. would Mr. Patten be prepared in practice to use his existing powers as toughly as the Solicitor General says they could be used?
- i. what additional advantage would the Government get from legislation?

Legal advice

2. New legal advice is surprisingly forthcoming, much more so than the advice we were receiving from the Law Officers' secretariat until very recently. For instance:

- i. the legal advice appended to the Cabinet Office note of 1 June said that on the year-by-year approach there would need to be an allowance for inflation which was not demonstrably unfair for local authorities. Would "phased decreases in spending in real term" satisfy this?
- ii. the advice was also that there would need to be a margin above this allowance for inflation "to make reasonable allowance for inaccuracy in the inflation forecast and for the fact that the circumstances of local authorities may reasonably be expected to change during the year although it would not have to cover every conceivable eventuality of each authority". The need for this margin has now disappeared completely. How confident are they of this?
- iii.