

CONFIDENTIAL



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*Dear Tim,*

REVALUATION AND RATE SUPPORT GRANT (SCOTLAND)

I attach a draft of the statement which my Secretary of State proposes to make this afternoon. I am copying this letter to Janet Lewis Jones (Lord President's Office), John Ballard (DOE), Richard Broadbent (Treasury), Charles Marshall (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and David Beamish (Office of the Captain of the Gentlemen at Arms).

*Yours sincerely,  
John Graham*

J S GRAHAM  
Private Secretary



## REVALUATION AND RATE SUPPORT GRANT (SCOTLAND)

With permission, Mr Speaker, I wish to make an announcement about revaluation and Rate Support Grant in Scotland. As hon Members know there has been a revaluation of property in Scotland which will come into effect on 1 April this year. I believe that such regular revaluations are essential to maintain a fair distribution of burdens within the rating system. In considering the rate support grant settlement for 1985/86 I have had very much in mind the special issues which revaluation raises.

In August last year I told the Convention of Scottish Local Authorities the sum I proposed to make available in aggregate Exchequer grant for 1985-86. I emphasised to them that the level of rates would depend on local authorities decisions on expenditure. In October I wrote to the Conveners and Provosts of all Scottish local authorities to urge them to hold their spending down in the interests of their ratepayers. In December, when the effects of the revaluation were clearer, I made a significant addition of £19 million to the grant figure I had previously announced. This addition was to help to finance a 5 fold increase in the domestic element of the grant which I thought necessary to mitigate the effects of revaluation on domestic ratepayers. I repeated my warnings to local authorities to bring down their expenditure in the interests of their ratepayers.

It is now becoming very clear that authorities are not heeding my warning. Spending in both 1984-85 and 1985-86 will continue to be above the Government's plans. I will, of course, be closely examining the budgets of all authorities to see if any are planning expenditure of a level which would make it necessary for me to take selective action to reduce their rates. I would also remind all authorities that the penalties for overspending in 1985-86 will be much more severe than in 1984-85.



The likely level of spending overall, combined with the effects of revaluation, will have a particularly severe effect on many domestic ratepayers. I consider that the increases in rate bills now emerging are in general so steep that I must take further action to protect domestic ratepayers. I have therefore decided to increase the total of aggregate Exchequer grant and within it the domestic element of rate support grant by £38.5 million making it possible to increase domestic rate relief to 8p per pound of rateable value. This is an eightfold increase over 1984-85 - from £12m to £102m. The necessary order will be laid shortly.

The increase in domestic rates will in total now be reduced from 24% to about 17%. The increases for individual domestic ratepayers will in many cases be higher, and in many cases lower, than this figure, depending on the level of spending in their local authorities and changes in the pattern of valuation. It is of course open to ratepayers to appeal against their valuation and we have made improvements in appeal procedures in the Rating and Valuation (Amendment) (Scotland) Act 1984.

The cost of increasing domestic rate relief in this way will be financed by adjustments within my existing policies and expenditure programmes.

As I have said, the object of revaluation is to apportion the rate burden fairly. This means that some pay a larger share and some a smaller share. That is justifiable. What is not justifiable is that many authorities have paid so little regard to the effect on ratepayers of their expenditure plans.



