

PERSONAL AND CONFIDENTIAL

cc PS/CST

FROM: R FELLGETT

DATE: 26 February 1988

- 1. MR HAWTIN
- 2. CHANCELLOR

cc Sir P Middleton  
Mr Monck

*Thanks. Cont'd to Mr R from date of HoZ who was alerted to this much? (I wonder the way in Mr. Kelly's work but this is a matter in hand in the office)*

RATEABLE VALUE OF BUSINESS PROPERTY

At Cabinet on 25 February Mr Walker mentioned a House of Lords ruling, on an appeal by Addis Plc, that businesses in areas adjacent to Enterprise Zones were entitled to a reduction in their rateable value and hence rate bills. You were invited, in consultation with the Welsh, Environment and Scottish Secretaries of State and the Chancellor of the Duchy to consider the implications for the funding of local authorities and what response might be necessary. I understand that the immediate impact on rates bills of properties close to Enterprise Zones is a reduction of around £100 million (£12 million a year - the appeals go back to 1980).

2. I have spoken to VO and DOE officials. It appears that the implications of the Law Lords ruling go much further than Mr Walker mentioned. Taken to its logical conclusion, their interpretation of the law implies that any ratepayer can propose a reduction in their rateable value for almost any reason affecting the value of their property, other than inflation since the last rating revaluation. There are already signs of a bandwagon. For example, a block proposal to reduce the rateable values of 28,000 petrol stations has been submitted since the ruling on 11 February, on the grounds that the economic circumstances of the retail petrol trade have changed since the antecedent date for the last revaluation in 1973. It would clearly be impossible for local authorities and the VO to make good the loss of revenue from such proposals, by putting in enough counter-proposals of their own for increases in rateable values.

*sounds like DOE, Tsy & Revenue officials were slow to spot this; only WO on the ball*

PERSONAL AND CONFIDENTIAL

DOE officials are submitting advice to Mr Ridley tonight, proposing that he seek immediate policy clearance from colleagues for legislation to overturn the Law Lords ruling. Mr Ridley is expected to write to colleagues on Monday. We will offer quick advice on his letter when it arrives. We will obviously suggest that you support overturning the Law Lords ruling and returning the law to the interpretation which had hitherto prevailed, with the maximum degree of retrospection that can be sustained.

4. Although the Cabinet minutes record a remit to you to lead on this, I suggest that you can leave action to Mr Ridley, subject to seeing precisely what he will propose on Monday.

5. There are no necessary implications of this for the aggregate of Exchequer grant, or for its distribution in years up to 1988-89. RSG is distributed on the basis of rateable values at a given date, and not adjusted retrospectively to take account of appeals or other changes. There is, however, a statutory provision for Exchequer compensation to any local authority whose rateable value falls by more than 2½%. This has never been used but seems (at first sight) to compel additions to the quantum of grant rather than a redistribution. DOE officials are taking a helpfully robust line against the option of any further compensation for local authorities whose rate income has suffered by less than 2½%.

*Robin Fellgett*

R FELLGETT

*mp*

FROM: MOIRA WALLACE  
DATE: 29 February 1988

MR FELLGETT

cc Sir P Middleton  
Mr Monck  
Mr Hawtin

*PS/Chief Secretary*

**RATEABLE VALUE OF BUSINESS PROPERTY**

The Chancellor was grateful for your minute of 26 February. He has commented that he would be content for Mr Ridley to legislate.

*MW*

MOIRA WALLACE