



FROM: MOIRA WALLACE
DATE: 20 APRIL 1988

MR FELLGETT

cc PS/Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Hawtin
Mr Potter
Mr Dyer

NNDR: CHANCELLOR'S CONVERSATION WITH MR RIDLEY

The Chancellor spoke to Mr Ridley on the phone this afternoon. Mr Ridley said he wanted to raise a small point on the Local Government Finance Bill, which officials had been unable to resolve. He understood there were constitutional/Parliamentary difficulties with the proposed amendments giving the Chancellor the power to uprate the NNDR by less than the RPI. Things would be much simpler if the power were in Mr Ridley's name, but Treasury officials had not been willing to concede this.

2. The Chancellor said he was not aware of a problem in this area, and he reserved his position. He said that he would look into the matter, and let Mr Ridley have an answer as soon as possible. Mr Ridley said he would need an answer by tomorrow afternoon, when the relevant amendments were to be taken.

3. As I mentioned to you, the Chancellor would like a note on this as soon as possible. His preliminary view, which he did not put to Mr Ridley, was that, if there is a genuine difficulty with the powers being in the Chancellor's name, then one option would be for these powers to be ^{made} subject to the Chancellor's approval"

Mpw.

MOIRA WALLACE

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Local Government Finance Bill *continued*

Mr John Heddle

226

Page 27, line 29 [Clause 47], at end insert—

'(8) The regulations shall make provision for a person being the occupier or deemed occupier of a hereditament to have a right of appeal in relation to an assessment in each of, or in any combination of, the following circumstances, namely:

- (a) during the currency of a valuation list at any time where there is a change of the occupier of the hereditament, or,
- (b) during the currency of a valuation list at any time following a material change of circumstances affecting the hereditament, or,
- (c) in any event not less than once on a general ground in the period of five years commencing with the first date of coming into force of a new rating list or lists, or,
- (d) upon the making of any change to the entry affecting that hereditament in the relevant rating list or lists, including the deletion from a list of an entry or the inclusion within a list of a new or amended entry,

and may provide for additional rights of appeal or challenge in relation to an assessment, or liability based thereupon, arising under this Act.'

Mr Secretary Ridley

11

Page 94, line 22, [Schedule 5], leave out 'less than 51p' and insert '50p or less'.

Schedule 6 4th Day (21/4) Clause 13b 5th Day (25/4)

Mr Secretary Ridley

12

Page 95, line 34, [Schedule 5], leave out 'less than 51p' and insert '50p or less'.

Mr Secretary Ridley

13

Page 95, line 47, [Schedule 6], leave out 'one decimal place' and insert 'three decimal places'.

Dr John Cunningham
Mr Jeff Rooker
Mr William O'Brien
Mr Allen McKay

168

Page 96, line 16 [Schedule 6], leave out 'retail prices' and insert 'prescribed'.

Local Government Finance Bill *continued*

Mr Secretary Ridley

Page 96, line 17 [*Schedule 6*], at end add ' ; but if the Treasury so provide by order in relation to the year concerned, B is a figure which is less than that index and which is specified in (or calculated in a manner specified in) the order.' 179

Dr John Cunningham
Mr Jeff Rooker
Mr William O'Brien
Mr Allen McKay

Page 96, line 18 [*Schedule 6*], leave out 'retail prices' and insert 'prescribed'. 169

Dr John Cunningham
Mr Jeff Rooker
Mr William O'Brien
Mr Allen McKay

Page 96, line 32 [*Schedule 6*], leave out from 'the' to end of line 37 and insert 'prescribed index are references to an index maintained by the Secretary of State to reflect the movement of costs incurred by local government'. 170

Mr Secretary Ridley

Page 96, line 39 [*Schedule 6*], leave out from 'as' to end of line 40 and insert 'he determines'. 180

Mr Secretary Ridley

Page 96, line 42, [*Schedule 6*], leave out from beginning of line to end of line 46 and insert 'three decimal places only— 14

(a) adding one thousandth where (apart from this sub-paragraph) there would be more than five ten-thousandths, and

(b) ignoring the ten-thousandths where (apart from this sub-paragraph) there would be five, or less than five, ten-thousandths.'

Mr Secretary Ridley

Page 96, line 46 [*Schedule 6*], at end insert— 181

'(10) The power to make an order under sub-paragraph (3) above shall be exercisable by statutory instrument.

(11) An order under sub-paragraph (3) above in its application to a particular financial year (including an order amending or revoking another) shall not be effective unless it is approved by resolution of the House of Commons before the approval by that House of the revenue support grant report for the year or before 1 March in the preceding financial year (whichever is earlier).'

Local Government Finance Bill *continued*

Mr Secretary Ridley

Page 97, line 2 [*Schedule 6*], after 'contain', insert '(a)'.

182

Mr Secretary Ridley

Page 97, line 3 [*Schedule 6*], at end insert ', and

183

(b) the date determined by him under paragraph 5(8) above for the purpose of making the estimates.

(3) A calculation under sub-paragraph (1) above is invalid unless one or both of the following conditions is fulfilled—

(a) it is made after the revenue support grant report for the year has been approved by resolution of the House of Commons;

(b) it is made on or after 1 March in the preceding financial year.

(4) A calculation under sub-paragraph (1) above is invalid if made at a time when an order under paragraph 5(3) above which is effective in relation to the year has not come into force.'

Dr John Cunningham
Mr Jeff Rooker
Mr William O'Brien
Mr Allen McKay

Page 97, line 5 [*Schedule 6*], leave out paragraphs 7 and 8.

172

Mr Secretary Ridley

Page 97, line 11, [*Schedule 6*], leave out 'one decimal place' and insert 'three decimal places'.

15

Mr Secretary Ridley

Page 97, line 23 [*Schedule 6*], at end insert—

184

'(3A) An order may be made under paragraph 5(3) above in relation to a financial year beginning in or after 1991 even if a multiplier is or may be specified for the year under paragraph 7 above.'

Mr Secretary Ridley

Page 97, line 32 [*Schedule 6*], leave out 'one decimal place' and insert 'three decimal places'.

16

Local Government Finance Bill *continued*

Mr Secretary Ridley

Page 97, line 40 [*Schedule 6*], leave out sub-paragraph (4) and insert— 64

'(4) An order under sub-paragraph (3) above in its application to a particular financial year (including an order amending or revoking another) shall not be effective unless it comes into force before 1 January in the preceding financial year.'

Mr Secretary Ridley

Page 98, line 20 [*Schedule 6*], leave out 'expiry' and insert 'end'. 72

Dr John Cunningham
Mr Jeff Rooker
Mr William O'Brien
Mr Allen McKay

Page 28, line 15 [*Clause 49*], leave out 'and 1994' and insert '1994, 1995, 1996, 1997, 1998 and 1999'. 171

Mrs Teresa Gorman

Page 28, line 15 [*Clause 49*], at end insert— 228

'(5) Any non-PLC business that can prove it is solvent and that its taxable profit is less than £20,000 per annum can claim non-domestic rate abatement by completing a form for the purpose which is counter signed by the business's accountant. The amount of the abatement to be set by the Secretary of State annually.'

Sir Hugh Rossi

★ Page 28, line 15, [*Clause 49*], at end insert— 270

'(5) Any business not paying Corporation Tax at the higher rate can claim non-domestic rate abatement at a level set by the Secretary of State annually.'

Mr Secretary Ridley

Page 28, line 24 [*Clause 51*], leave out 'establishment and maintenance of the non-domestic rating pool' and insert 'keeping of non-domestic rating accounts, and for sums to be paid to and by the Secretary of State'. 104

Local Government Finance Bill *continued*

Mr Secretary Ridley

Page 73, line 9 [*Clause 134*], leave out 'pools shall be established and maintained' and insert 'accounts shall be kept'. 108

Sir Brandon Rhys Williams

Page 73, line 32, [*Clause 136*], at end insert 'but no such order or regulations shall restrict, or include any power to restrict, the right of leasehold enfranchisement.'. 8

Mr Secretary Ridley

Page 73, line 33 [*Clause 136*], leave out '(6)' and insert '(7)'. 177

Mr Secretary Rifkind

Page 73, line 38 [*Clause 136*], after first 'above' insert 'or section [*Commencement: Scotland*] below'. 74

Dr John Cunningham
Mr Jeff Rooker
Mr William O'Brian
Mr Allen McKay

Page 73, line 42 [*Clause 136*], after 'Schedule 5', insert 'or Clause 122'. 224

Mr Secretary Ridley

Page 73, line 45 [*Clause 136*], at end insert— 178
'(7) The power to make an order under paragraph 5 of Schedule 6 below shall be exercisable as there mentioned.'

Mr Secretary Ridley

Page 74 [*Clause 137*], leave out line 13. 32

SECRET

pay

Ch/ Mr Potter has treated this essentially as a political question, which was not my impression of yr talk with Mr Ridley - nor I hope my debrief to Mr P.

FROM: BARRY H POTTER

DATE: 20 April 1988

CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Hawtin
Mr Turnbull
Mr Fellgett
Mr Cropper

But the constitutional/legal question is dealt with in para 9 - not an issue, as DoE agree at official level. (I have spoken to Brian Dyer who confirms this)

LOCAL GOVERNMENT FINANCE BILL: POWER TO UNDER INDEX THE NNDR

m/pw 20/4

I understand from your Private Office that Mr Ridley came to see you this afternoon to discuss the power to override the annual indexation of the NNDR poundage. I believe he suggested to you that this power should be placed in his name rather than yours; as I understand it (in advance of seeing your Private Secretary's note) he argued that this was necessary essentially for political reasons.

↑ not quite what I said, or wrote!

2. DOE officials have since spoken to us and pressed us to advise you this evening, so that you might contact Mr Ridley later tonight to let him know your views.

Background

3. E(LF) decided and subsequently confirmed last year that the power to override the annual indexation of the NNDR poundage should be placed in your hands. Although no such power was included in the original draft of the Bill, at official level we have negotiated a suitable form of words with DOE officials. Parliamentary Counsel has been difficult and slow on this. He has insisted that the particular form in which the power is expressed (an Order for affirmative resolution) is consistent with the timing and mechanics of laying the revenue support grant report before Parliament for its approval. As a result of this the proposed amendments (like most of the Bill) are a little difficult to understand and have only just been finalised - despite continual pressure from us.

SECRET

4. You should also be aware that DOE officials have always been vigorously opposed to the Treasury having the power - and have made repeated attempts to overturn the original E(LF) decision.

Assessment

5. Mr Ridley is certainly concerned that the amendments add to the complexity of the Bill. But his real worry is that they will be a source of further political controversy during tomorrow's Report Stage debate. His officials have intelligence that the Opposition will attack the proposal for you to override the uprating of the NNDR (and the intention to have NNDR proceeds paid into the Consolidated Fund) as meaning that NNDR is a central government tax. Mr Ridley wishes to avoid what he sees as an unnecessary political controversy.

6. But as we have persuaded DOE officials (and they are now hoping to speak again to Mr Ridley tonight) this controversy is now unavoidable. Only two courses are open: withdraw the amendments (laid down already for debate tomorrow) or debate them. If the amendments are not moved we believe that it would be difficult to lay the new clauses for the first time in the Lords. These amendments deal with financial issues and as a matter of privilege should be dealt with in the Commons. The amendments cannot be lost: that is not consistent with the E(LF) decision; nor public commitments (eg to the CBI on the uprating) nor in the case of the NNDR pool and the Consolidated Fund, with practicality of the policy.

7. In our view, therefore, the amendments have to be debated tomorrow. But Mr Ridley could of course indicate during debate that - in view of Opposition concern - he would change their form in the Lords. This is obviously a question for political judgement. But is there not a serious risk that any such indication, let alone a firm undertaking, would be widely seen as a retreat by the Government in the face of Opposition pressure? (So would withdrawal of ^{the} amendments.) It would surely be better to stick to a firm commitment that there is no intention to take

SECRET

over the NNDR as a central Government tax. Indeed the Bill specifically hypothecates the tax to the LAs - it would be illegal to use the NNDR proceeds for anything else.

Conclusion

8. I recommend that you advise Mr Ridley he should go ahead with the debate and defend the proposed amendment - in its present form - tomorrow. There seems no practical alternative. But you might wish to leave open the possibility that the form of the power could be changed again in the Lords - if Mr Ridley is able to persuade you of the merits of the case.

9. This is not a legal issue - DOE officials, Parliamentary Counsel and ourselves are satisfied that the proposals in the amendment are workable and should deliver the policy decision taken at E(LF). There are considerable political risks in drawing back from the amendment at this late stage.

Barry H. Potter

BARRY H POTTER