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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP  
 Secretary of State for Scotland  
 Scottish Office  
 Dover House  
 Whitehall  
 London  
 SW1A 2AU

12<sup>th</sup> March 1987

*Dear Malcolm,*

**RATING OF SPORTS CLUBS**

I have seen Nicholas Ridley's letter of 9 March to you. I strongly support his objection to your announcement without prior consultation.

In addition to the points that Nicholas makes, I have three further objections:

- removing any disincentive to give reliefs from taxation is liable to add to the Public Sector Borrowing Requirement unless the reliefs are offset by other changes in central or local taxation. In this case your officials have assured me that you will not argue for additional grant. The full cost of reliefs will therefore fall immediately on all Scottish ratepayers/community charge payers; but a small part will still be financed by the Exchequer through rate or community charge rebates;
- as I explained in my letter of 16 February, we should resist requests for special treatment unless the case for complicating local government finance and for shifting the rates burden from particular interests to other ratepayers is very strong indeed;
- you appear to have committed the Government to removing all incentives from all Scottish local authorities to exercise their powers over discretionary rate reliefs responsibly. Although this may simply extend the (anomalous) position of a majority of Scottish local authorities at present, it sits very oddly with Nicholas's intention, which we endorsed at E(LF) on 20 November, that the cost of reliefs should be split equally between the giving authority and all others.

LOCAL GOVT  
RATES  
PTB

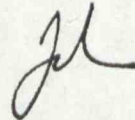
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I cannot understand therefore why neither you nor your officials consulted me or mine before you announced your concession.

I agree with Nicholas that we must consider what can be done to mitigate the effects of the announcement. One step, which would help at least towards the Exchequer point, would be for you to withdraw your objection to taking account of Exchequer support to local authorities through rates/community charge rebates in setting the total of RSG. (Officials are discussing the need for adjustments to RSG to take account of changes in rebate expenditure as a result of the introduction of the community charge, following my letter to you of 17 February and your reply of 23 February.)

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Ridley, to other members of E(LF) and to Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR

