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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

*vbpur**Dear Nick,*

31 July 1987

NON-DOMESTIC RATING

at-top

Thank you for your letter of 24 July.

I am now broadly content with your proposals for the operation of the national non-domestic rates (NNDR) pool. I am grateful for your agreement to fixed schedules of payments into and out of the pool. And I quite accept that local authorities' payments will need to be adjusted after the end of the year when the final rate product is certified.

You raised the problem of individual authorities which suffer unanticipated losses in rateable value, because of events such as a factory closure. I think that there is a case for an in-year adjustment but only if the loss of rateable value is significant, say 5 per cent. I hope you would also agree however that there should be some incentive on authorities that have been able in practice to collect more than the amount forecast (because of unanticipated increases in rateable value) to surrender these amounts to the Exchequer. This might be achieved by charging interest on those sums which have not been surrendered before the end of the financial year.

I am also content for Vote provision to be called upon, in-year on a contingency basis to meet a shortfall on any particular day. But we would expect the very few authorities concerned to give reasonable notice if they are aware that payments will be late; and interest should be charged daily on the amount outstanding.

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The final possibility you mention is that outturn yield could fall below that expected because of successful appeals against valuation across the country. I cannot accept that the Exchequer should pay out more in aggregate than is planned for the year as a whole (plus the safety margin). Local authorities will have forecast their non-domestic yield. Non-domestic rates pay for local government. Local authorities should bear the risk of a shortfall in payments through successful appeals. We must minimise the risk of a significant shortfall in the first year through the safety margin, not a guarantee from the Exchequer, and through careful scrutiny of LAs' assessment of their non-domestic rate income.

Duty to consult business

I agree that we should proceed to consultation on whether the duty to consult business should be adapted or dropped altogether.

I am copying this letter to members of E(LF) and to Sir Robert Armstrong.

Yours Ever,
John Major

JOHN MAJOR