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CCBG

The Rt Hon Nicholas Ridley MP AMICE
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
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NRM

8 September 1987

Dear Nicholas,

RATES REFORM: CROWN PROPERTY

Thank you for copying to me your minute of 30 July to the Prime Minister.

I am content with what you propose, subject to two points.

In relation to residential Crown property no doubt you will, like us, find it necessary to acknowledge in your Bill the special position of the Crown private estates which are at present explicitly made subject to rates by the Crown Private Estates Act 1862.

My second, and more substantial point, concerns the scope of contributions in lieu of rates. As I understand it, your intention is that the parts of Crown property such as prisons and hospitals which represent 'living accommodation' should be treated as being exempt from rates, so that contributions in lieu of rates be made only in respect of the remainder of such properties. This approach appears to be based on an analogy with the general approach you are taking towards the exclusion of domestic property from rating, based on a wide definition of 'living accommodation' whether or not anyone actually has his sole or main residence there. I think we can live with the differences of treatment which this will create for properties such as commercially let holiday flats, but extending this approach to prisons and hospitals seems to me to create severe difficulties.

First, at the practical level, the job of making apportionments between the 'living accommodation' and the remainder of these properties will involve a very considerable burden on RGPD; local authorities, who have a financial interest in the results, may challenge what is done.

Secondly, it is far from self-evident that prisons and hospitals should be regarded as 'living accommodation'. I know that you plan to leave hotels in rating, notwithstanding that they would otherwise meet the technical criteria of your definition of living accommodation, and I cannot see that hospitals are fundamentally different: most of the people they contain do not have their sole or main residence there, and will be continuing to meet their personal community charge liability elsewhere. Prisons can also be viewed in a similar light, though we have decided to exempt

prisoners in custody from the personal community charge because they do not have the right to vote.

Thirdly, your proposals would mean a substantial reduction in the amount of the contributions in lieu with the burden being thrown onto community charge payers. There is some suggestion in your paper that contributions of standard charge would be made in lieu in these cases, but unless you propose to organise that on a per capita basis the amounts involved would be quite insignificant by comparison with the loss of rate income to local authorities.

For all these reasons I consider that your proposal presses the logic of your 'living accommodation' definition too far, and that it would be much simpler to treat prisons and hospitals on the same basis as hotels, viz that they are subject to rates (in this case a contribution in lieu) apart from the element attributable to residential staff.

I am copying this letter to the Prime Minister, the Lord President, Members of E(LF) and Sir Robert Armstrong.

*Yours ever,
Malcolm Rifkind*

MALCOLM RIFKIND

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