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CONFIDENTIAL

The Rt Hon Nicholas Ridley AMICE MP  
Secretary of State for the Environment  
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*De- Nichols,*

#### SCOTTISH INVOLVEMENT IN LOCAL GOVERNMENT FINANCE BILL

It has always been clear that a limited number of provisions applying to Scotland would be necessary in your Bill introducing the community charge. For example, we said during the passage of the Abolition of Domestic Rates Etc (Scotland) Act 1987 that provisions about diplomats and overseas servicemen would be handled on a GB basis. There will need to be cross-border provisions to enable registration officers to exchange information; and we have agreed (though not announced) that provisions for the possible indexation of business rates below the RPI should apply to Scotland, and that certain of the changes you are making to the fees and charges regime should apply to Scotland. A number of policy questions under consideration between our Departments would, if adopted, call for provisions applying to Scotland and there are, as you might expect, a number of technical changes to the 1987 Act which, in an ideal world, we would like to make, though I would not pretend that they are all essential. The Annex to this letter draws together all these threads.

There is, of course, a further reason why your Bill has to be capable of carrying Scottish provisions, namely the need for us to be able to apply to Scotland any relevant changes to the community charge system, particularly those seen as concessions, which may be made during the passage of your Bill. There is no other legislative opportunity for us to pick up such changes before preparations for the introduction of the Scottish system are complete, and it would be politically unacceptable for Scotland to be denied the benefit of any concessions which might be made.

In normal circumstances I would wish to see as many as possible of the necessary provisions incorporated in your Bill at the outset, to avoid the need for later amendment, but in this case I think there are powerful reasons for following different tactics. Although the Bill must apply to Scotland for the reasons I have given it is important that it should not appear to be re-opening for debate any of the fundamentals of the system. There will be pressure throughout the Bill's passage for

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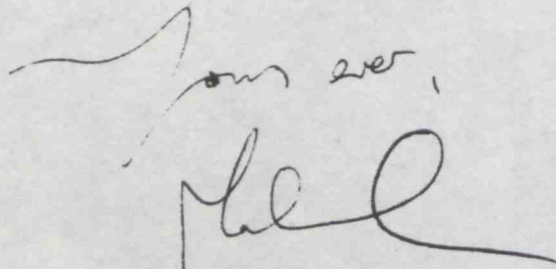
Scotland to be brought into line with England in a variety of ways - for example postponing the start of the new system by one year and having a transitional period - and we will hear a lot of the argument that the new system cannot be ready in time for 1 April 1989. Too long a list of Scottish amendments would encourage our opponents both inside Parliament and amongst the local authorities.

The impact of Scottish provisions on the way we handle the Bill in Committee Stage is also relevant. The passage of our 1987 Act involved 125 hours in Commons Committee and I imagine that you could easily exceed that, even without any significant discussion of Scottish matters. With a significant amount of Scottish material in the Bill there would be a risk of pressure for a Scottish Minister to attend. I would like to avoid that, for two reasons. First, we are quite simply thin on the ground and hard pressed with our own programme of legislation. Second, the presence of a Scottish Minister would be likely simply to act as a lightning conductor and maximise the amount of Scottish debate. I imagine you would want to avoid that as much as I do. If there is no Scottish Minister present, it will be correspondingly easier for you and Michael Howard to dismiss and avoid sterile debate on bogus Scottish points.

We cannot guarantee to avoid Scottish difficulties entirely, and they are likely to assume greater significance as the Bill progresses - possibly at Commons Report and certainly in the Lords. But at least at Committee Stage I think we can try to get round the problem by the simple expedient of keeping to a minimum the number of Scottish provisions which appear in the Bill as introduced. We need sufficient to honour essential commitments and establish that the Bill does apply to Scotland but what we include should be of a nature which would enable us to argue robustly that the Bill is changing none of the fundamentals of the Scottish scheme, that there is no need for substantial discussion of Scottish matters in Committee, and that a Scottish Minister need not be present. We can then introduce any necessary Scottish amendments at Commons Report, when I or Ian Lang could be present to help handle them.

I hope you will agree that we should proceed on this basis and that our officials should be asked to consider the matter and advise what Scottish provisions it would be appropriate to include in the Bill as introduced.

I am copying this letter to the Prime Minister, Members of E(LF) and Sir Robert Armstrong, seeking policy agreement and drafting authority for this approach; and to John Wakeham and David Waddington, in view of the questions of Parliamentary handling which I have raised.

*Yours ever,*  


MALCOLM RIFKIND



## SCOTTISH PROVISIONS

1. Essential

- 1.1 Visiting forces and diplomats, and their spouses.
- 1.2 Indexation of non-domestic rate ceilings below RPI.
- 1.3 Fees and charges
- 1.4 Cross border exchanges of information between registration officers.

2. Highly desirable technical changes

- 2.1 Joint and several liability: make it clear that demand notes need not be issued to all who have joint liability (possibility defect in paragraph 2(1) of Schedule 2 of ADRES).
- 2.2 Joint community charge and rent bills: prevent housing authorities from amalgamating community charge and rent by changing the terms of their missives of let.
- 2.3 Holiday caravans to stay in rating (correcting unintended application of Section 4 of ADRES).

3. Minor technical changes

- 3.1 Standard charge: clarify provisions for period of grace.
- 3.2 Collective charge: multiplier not to take account of students, severely mentally handicapped (avoidance of doubt).
- 3.3 Collective charge: fee for landlord (adjustment to multiplier, as originally envisaged, may not work well)
- 3.4 Noting end-dates for liability: possible gap in provisions
- 3.5 Inspection of register: provision for auditor to inspect.
- 3.6 Clarification of whether names of responsible persons, identified as such, should appear on the public register.
- 3.7 Clarification of calculation of standard community charge contribution.
- 3.8 Modification of provision that registration officer must offer public register for sale (to meet concerns of Data Protection Registrar).

4. New policy points

- 4.1 'Anonymous' registration. (A problem has been drawn to our attention over certain people, eg students, whose home governments might use the register to track them down:

4.2 Decapitalisation rate: IRVO and Scottish Assessors appear to see advantage in this being prescribed by Government.

4.3 Enterprise zones. DOE consultation paper proposes special provisions for valuation following wind-up - may be necessary for Scotland too.

4.4 Retention of rates on appeal: DOE consultation paper proposes full payment, with interest on refunds - may be pressure for this change in Scotland too.



