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Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

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15/7

13 July 1988

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

Prime Minister²
Seems very sensible.

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Nicholas Ridley

Yes not

RATE REFORM: GOVERNMENT VALUATION SERVICES

Our forthcoming reforms to the non-domestic rating system raise questions about the future of central Government's payments to local authorities for properties occupied by the Government. As you know, after 1990 no local authority will have a close interest in the valuation of rates paid on any individual property in its area. Instead, in England and Wales, each authority will be concerned only about the aggregate size of the non-domestic rates pool which, together with its population, will determine the amount of rate revenue to be distributed to its area. In Scotland, the distribution of Government grant will produce much the same effect.

You suggested, in your minute of 30 July 1987 to the Prime Minister, that once the new system was in place (in April 1990), the Government might make a lump sum payment to the non-domestic rate pool, rather than individual payments to individual local authorities. I too think that this should be the preferred solution, and suggest that, provided the practical consequences can be sorted out, we should propose this to the local authorities. I understand that the Local Government Finance Bill, now before the Lords, explicitly allows for this approach.

You were
concerned
with
this.

Rec 6.

Against this background my officials have been considering the future of the Rating of Government Property Department (RGPD), which is of course part of the Treasury. At present it undertakes a great deal of detailed work in respect of the individual properties occupied by central Government and the NHS. This would cease to be necessary under a lump sum payment system, which might be adjusted annually by a simple formula. However, some of the activities carried out by RGPD would continue to be needed and Government departments will still have an interest in accurate valuations of their premises for management accounting purposes. I intend that RGPD should complete the 1990 revaluation of non-domestic Government property to provide a sound basis for the new system, but it is clearly questionable whether RGPD should be maintained in its present form once this exercise has been carried out.



There are of course other and major effects of the 1990 revaluation. In the Inland Revenue the end of domestic rates will precipitate a surplus of more than 1,000 staff in the Valuation Office, most of whom have experience in support roles in property, while the defence of the 1990 non-domestic assessments will impinge heavily on the professional valuers. We need to consider how the Valuation Office will proceed after 1990, and whether, for example, some of the surplus technical staff might usefully be re-deployed to other estates work.??

It seems to me that, in view of the changes that are being made at PSA, and those that will need to be faced by the Valuation Office, there is a good case for considering RGPD's future as part of a wider review of the organisation of valuation work on central Government property and of the valuation activities of central Government generally. There would appear to be some degree of overlap between the work of RGPD, the Valuation Office and PSA's valuation service. Given the staffing difficulties faced by Estates Surveyors and Valuers throughout Government it is obviously essential that we should eliminate any unnecessary duplication and make the best possible use of the valuation resources that are available. The review would need to consider the case for brigading these resources together, possibly in the form of a "Next Steps" agency, and the scope for contracting work out to the private sector as well as the question of charging for services.

You will recall that there was a very full Review of Government Valuation Services in 1983, in the course of which a great deal of background information was collected about all the various groupings of Valuers and Estate Surveyors. On the Committee were representatives from the DOE, and the Inland Revenue as well as the Efficiency Unit and the private sector. But as our local government finance policy was not settled at that time, rating work was excluded from the terms of reference. Now that the end of the present system is in sight I believe a fresh look at the whole range of Government estate work is needed. Indeed it could be justified even if we did not also have the new context of "Next Steps".

There is one last point. The announcement or even the rumour of a new review could seriously worsen the already difficult recruitment/retention problem in our valuation services if it were to appear to signal a deterioration in career prospects. Present uncertainties over long term prospects is already contributing to the difficulties of recruiting and retaining valuers in the public service, and it will be very important to ensure that news of a fresh review does not make matters worse. Its terms of reference, and the handling of any announcements, will need very careful handling.

I will invite my officials to discuss with yours how the review (or reviews) should be carried forward. They will also need to consider how to inform the local authorities and other interested parties.



I am copying this letter to members of E(LF), to George Younger and to Sir Robin Butler.

A handwritten signature in black ink, appearing to be 'Nigel Lawson', written in a cursive style.

NIGEL LAWSON



Local Savb

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