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My ref:

Your ref:

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1

nrblm until  
Treasury council.

8 September 1988

REC6  
9/9

Dear Chief Secretary

**COMMUNITY CHARGE: SPECIFIC GRANT FOR PREPARATION COSTS**

We corresponded in July about the method we should adopt for distributing revenue support to charging authorities in respect of their community charge preparation costs in 1989/90. As I forewarned in my letter of 18 July, I am returning to this issue now that we have further details of the 1989/90 RSG Settlement.

I appreciate that the usual way of contributing towards the expenditure of local authorities is through the grant related expenditure for each authority. Notwithstanding the points made by you and Malcolm Rifkind in your letters of 8 and 11 July however, I have concluded that there is a strong case for channelling at least part of the £110 million for preparation costs by means of a specific grant.

The unhypothecated nature of block grant is both a strength and a weakness. For any authority that receives block grant it is always possible to argue that some of that is in support of each of the services that they provide but it is not possible to say precisely how much is provided. With block grant it will therefore be impossible to say to what extent any local authority has received support from local government in respect of community charge preparation costs.

A particular difficulty arises with using block grant alone in 1989/90 for supporting community charge preparation costs in that on our first set of exemplifications a substantial number of shire districts appear likely to receive less block grant in 1989/90 than they received in 1988/89 despite having to meet community charge preparation costs. In addition a number of other authorities will receive no support through block grant for community charge preparation costs because they receive no block grant at all. The upshot is that a very large number of authorities will feel that they are receiving no support whatsoever to help them prepare for the community charge.



I do not accept Malcolm Rifkind's view that a specific grant in England need undermine his position: I see little similarity in circumstance since as I understand it no Scottish charging authorities are out of grant, nor would it look like a panic measure since everyone knows we have been considering this matter for some time and all the local authority associations support it.

I have considered the level of specific grant and the basis on which it might be paid. I would wish to avoid a specific grant based on actual expenditure which would require audited figures and could lead to arguments about what expenditure is and is not eligible for grant support. I would propose instead a formula-based grant on adult population.

68 As to the rate of grant, I can see no reason why this need be higher than the 50% in order to promote efficiency and for there to be a GRE for the residual expenditure falling to be met by the local authority. In effect this would mean that we were supporting half the expenditure through a specific grant and the remaining half through block grant.

A specific grant means that we can visibly identify additional support being made available to all charging authorities to help them prepare for the introduction of the community charge. Without one I fear that we will hand authorities a significant propaganda point which some will not hesitate to use against us. I hope therefore that in the exceptional circumstances of 1989/90 you and other colleagues will agree to a one year transitional specific grant for community charge preparation costs.

I am copying this letter to the Prime Minister, other members of E(LF) and to Sir Robin Butler.

Yours sincerely  
RB

ff NICHOLAS RIDLEY

(Approved by the Secretary of State and signed in his absence)

*PB has seen - NBPM* *cell*

FROM THE MINISTER OF STATE, SCOTTISH OFFICE



ST. ANDREW'S HOUSE  
EDINBURGH EH1 3DG

CONFIDENTIAL  
MANAGEMENT - IN CONFIDENCE

The Rt Hon Nigel Lawson MP  
HM Treasury  
Parliament Street  
LONDON  
SW1 3AG

8 September 1988

*Dear Nigel,*

RATE REFORM: GOVERNMENT VALUATION SERVICES

*files with PB*

Thank you for the copy of your letter of 13 July to Nicholas Ridley. I have also seen his reply to you of 12 August.

From our point of view I am sure it would be possible in Scotland to operate from 1990/91 a similar system to that which you propose for England and Wales with a single payment made centrally in respect of Crown property occupied by the Government. We would then disburse this to local authorities as part of the revenue support grant. There is time for me to consider whether my existing powers to pay grant are adequate, but if any amendment is required it will be minor.

I agree with Nicholas, however, that local authorities will be highly critical of this approach unless we can demonstrate that the level of payment in 1990 is based on a proper valuation, and also that subsequent changes realistically reflect changes in the value and holding of property. I also see the need for this from the point of view of realistic Departmental accounting, but I have an open mind as to whether or not it should be carried out by RGPD. I would, however, be unwilling to see this function passed to the Regional Assessors in Scotland who might be inclined towards unjustifiably high valuations.

I share the view that there could be attraction in removing fringe bodies from Crown exemption and this should be examined by officials as part of the proposed discussions. I would wish my officials to be involved in this exercise.

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

*Younger*  
*Malcolm Rifkind*

MALCOLM RIFKIND

mga237f6