



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Secretary of State for Social Services Health

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The Rt Hon Nicholas Ridley MP  
Secretary of State for the Environment  
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24

3 November 1988

*N. Ridley*

HARMONISATION OF RATING : THE CONTRACTORS BASIS

I am sympathetic to the proposals set out in your minute of 5 October to the Prime Minister. The case for a common decapitalisation rate is persuasive, but I think we need to look carefully at one or two points of detail.

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You propose a separate decapitalisation rate for educational institutions of 4 per cent. I can understand the reasons for this, both in terms of equal treatment across all types of school, and the effect on public schools if a larger rate were to be imposed, but the proposal means that the Local Authority burden will not fall evenly across all services. Other things being equal, a shift from the present decapitalisation rate of 3.75 per cent to 6 per cent would increase local authority rate bills by 60 per cent for non-education services. Almost all the estimated additional cost of £70 million will fall on these services. This needs to be fully allowed for in provision for the non-education local authority services, and I question whether it is right to pass on to the community chargepayer the cost of an increase in business rate taxation. From a Personal Social Services standpoint therefore I am prepared to support your proposals on condition that we agree in principle that any consequential additional rate bills should be fully reflected in provision for the non-education services, and should not result in an increase in the community charge.

As far as the hospital and community health service is concerned I should be particularly interested to see precisely what are the implications for Crown properties of any final decision to prescribe a decapitalisation rate. The prospect of a large increase in the payments in lieu of rates made by health authorities is unattractive. On the basis of your illustrative figures, the combined effect of revaluation and a move to a 6 per cent capitalisation would be to double the NHS rate bill from its present level of some £176 million. This could not be contained within existing provision. We should need to be clear that any consequent increase in public expenditure was fully justified.

Copies to go to other members of E(LF) and to Sir Robin Butler.

*Kenneth Clarke*

KENNETH CLARKE

LOCAL COVT: Patens PTH

