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Treasury Chambers, Parliament Street, SW1P 3AG

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

9 December 1988

Dear Secretary of State

## NON-DOMESTIC RATING

Thank you for your letter of 29 November, in response to mine of 21 November.

I agree that it would be helpful to meet to talk through the issues raised in these letters, although in view of your trip abroad and my diary commitments I think it will be difficult to fix a meeting before January. This letter therefore offers some brief preliminary reactions to yours; my officials are very happy to discuss the points in more detail with your officials ahead of a meeting. I am sure it would be useful if they did so.

My proposals are intended, not to shift the tax burden from public property (which in practice means from other forms of taxation) on to business ratepayers, but simply to avoid an unplanned shift in the tax burden in the reverse direction, from business ratepayers on to other taxpayers. We cannot afford an unplanned erosion of the tax base in 1990-91, driven not by economic requirements but by the technicalities of revaluation. My proposals are, I believe, quite consistent with both the letter and, most important, the spirit of our public commitments to the business community.

I agree with you that the main argument for paying rates on Crown and local authority property is that public sector occupiers should pay for occupying accommodation in the same way as the private sector does. But I would not draw the conclusion that changes in such payments should add to, or subtract from, the total Exchequer support we give to local authorities. Under the new system of local government finance there will be a number of payments to authorities which they will be able to use to support expenditure or reduce the Community Charges paid by local

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residents. I see considerable merit in taking a view on such payments as a whole, with the quantum of Revenue Support Grant set taking account of any changes in the others.

In any case, most public sector buildings, such as office blocks, are in fact assessed for rates (or contributions in lieu) in the same way as their private sector equivalents. The contractor's basis of rating, where I suggest that we should continue to have a slightly lower decapitalisation rate for the public sector, mainly affects schools, hospitals, army bases and prisons, for which there are either no private sector analogues or the private sector institutions concerned are mainly charities, who will have the much more substantial benefit of at least 80 per cent relief from rates.

You finally sought my agreement to exemplify the transitional arrangements on a basis inconsistent with my earlier letter. I cannot agree to this. We must surely decide what we are going to do and then prepare any exemplifications accordingly. I am not sure anyway what exemplifications you have in mind. You will now have seen Nigel Lawson's minute of 6 December to the Prime Minister, which expressed his doubts about publishing at this stage any significant amount of information based on the work of Inland Revenue officials.

My office will be in touch with yours to fix a meeting.

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

AM  
12/11

Yours sincerely

Johns Evans

JOHN MAJOR

approved by the Chief  
Secretary and signed  
in his absence

## Welsh Rate Support Grant 1989-90

4.17 pm

**The Secretary of State for Wales (Mr. Peter Walker):** With permission, Mr. Speaker, I should like to make a statement about the Welsh rate support grant report 1989-90 and the supplementary reports for 1986-87, 1987-88 and 1988-89, which I have today laid before the House.

I am today announcing the details of the 1989-90 settlement to the Welsh Consultative Council on Local Government Finance. Copies of the text of my statement to the consultative council, together with a number of key statistical tables, have been placed in the Library of the House.

As required by the Rate Support Grants Act 1988, in each report total expenditure—a crucial factor in determining entitlement to block grant—has been treated for each authority as equal to a “relevant amount” determined according to specific rules, and based on information with me by 6 July 1988.

The supplementary reports for 1986-87, 1987-88 and 1988-89 update grant entitlements and are intended to be the final reports for those years. Authorities have been notified of the total expenditure figures on which the reports are based, and it has been open to them—and remains open to them—to make representations about the figures that I have used. If, under the rules, I am able to agree that an authority's expenditure figure should be changed, that authority's grant entitlement will be recalculated accordingly.

My hon. Friend the Minister of State announced my proposals for 1989-90 to the House in July, and these have since been the subject of consultations with the local authorities and their associations. In making the report, I have taken account of the views that they have expressed.

The main elements of the 1989-90 settlement are as follows. Provision for relevant expenditure will be set at £2,057.8 million, some £124.7 million or 6.5 per cent above 1988-89 budgets and 8.6 per cent. above relevant provision. Provision for current expenditure is set at £1,785 million, an increase of £86.6 million or 5.1 per cent above 1988-89 budgets and 8.8 per cent. above current provision. Aggregate exchequer grant is set at £1,316 million, an increase of £63 million or 5 per cent. above the amount made available for 1988-89, and £68.6 million or 5.5 per cent. over the amount to be paid out in respect of 1988-89. Specific and supplementary grants total £267 million. Domestic rate relief grant remains unchanged at 18.5 p in the pound, and in aggregate is £27 million. Block grant totals £1,021.9 million an increase of £50.7 million or 5.2 per cent. over the amount paid in respect of 1988-89. It is fixed at this level.

The final year of the rate support grant system will be 1989-90, and in the interests of stability—and with the full agreement of the local authority associations—I have decided to retain the same block grant mechanisms as those used in the present year. Certain minor changes in methodology have, however, been made at the request of the associations.

The settlement provides stability and it also provides a firm indication of grant entitlement. Authorities will know when they are setting their budgets what they will receive in the way of grant support. It is a realistic settlement which enables councils in Wales to contribute to the accelerating economic and social regeneration of the Principality. I am sure that they will do so in a responsible manner by keeping control of spending, budgeting for the low rate rises that are clearly attainable and continuing their encouraging progress towards greater efficiency. They know that this is in the interests of their ratepayers and their electors. I fully expect them to grasp the opportunity.

**Mr. Barry Jones (Alyn and Deeside):** The Secretary of State mentioned 5 per cent., but 10 per cent. is more like the real figure. The statement is a clever sleight of hand. Its flaw is that it ignores the rise in inflation and interest rates. Current expenditure is £37 million short and districts will find that they are £7 million down on block grant. Worse, block grant declines as a proportion of the aggregate Exchequer grant. The Government still dictate on specific grant, and the casualties will be housing benefit administration, schools services, environmental health, recreation and leisure services and the crucial local authority efforts in economic development to create jobs. It will be hard to keep rate rises down to reasonable levels.

Is the Secretary of State aware that the settlement is very unsatisfactory and that much has changed since the July statement? The Government say that a settlement based on a GDP deflator at 4 per cent., RPI at a similar 4 per cent. level and interest rates at 9.5 per cent. is still sufficient to meet the needs of local government. However, the GDP deflator is now an estimated 5 per cent., inflation is 6.4 per cent., and forecast to rise to 8 per cent. next spring, and interest rates are 13 per cent. Is that not a definition of strain on local authority budgets?

I remind the right hon. Gentleman that the Secretary of State for Education and Science has proposed a 5.1 per cent. pay settlement for teachers next year. Does the right hon. Gentleman understand that, as teachers' pay constitutes more than a quarter of most county budgets, the difference between the provisional 4 per cent. and 5.1 per cent. is very significant? The Secretary of State said just now that, if under the rules he was

“able to agree that an authority's expenditure figure should be changed, that authority's grant entitlement will be recalculated accordingly.”

I know that the Secretary of State is aware of the concern in Cardiff. The city council met every requirement—and better—yet it stood to lose £2.3 million as a result of the retrospective arrangements that were announced on 7 July, which were then legalised in the recent Rate Support Grants Act 1988. I must also report to the House that Torfaen borough was a major victim and lost more than £300,000.

Is the Secretary of State aware that the aggregate figures will not be sufficient to cover the increasing cost of preparing for the implementation of the poll tax and meeting the requirements of homelessness? I want to make a plea to the Secretary of State for a rethink by the Welsh Office on this defective settlement, on the ground that, with inflation at 6.4 per cent. now and estimates that in 1989 it will be 7 per cent. or even 8 per cent., inflation will push spending well above the Government's proposed figures. I understand that even the Chancellor of the Exchequer thinks that inflation may rise as high as 9 per

**Mr. Wakeham:** I recognise that the hon. Gentleman has made an important point. My right hon. Friend the Minister of Agriculture, Fisheries and Food may wish to make a statement early next week if that is deemed appropriate. I shall certainly find time for one if that is what he wants.

**Mr. Dennis Skinner (Bolsover):** Will the Leader of the House ask the Secretary of State for Transport to make a statement tomorrow, or early next week, about the fire aboard the P and O ferry *European Endeavour* at half past 10 last Friday? That fire raged for three hours and was the result of all the cost cutting, fatigue and incompetence of the scab crews. Is it not high time for a statement and a debate on that matter? Despite Zeebrugge and all that happened there, P and O, which lined the pockets of the Tory party, is getting away with nigh on murder. It is the third fire since the strike and the lock-out began. Surely to God there should be an inquiry into the matter.

**Mr. Wakeham:** Yes, but I do not know what good it would do the hon. Gentleman, who approaches these matters with an open mouth and his eyes and ears shut.

**Mr. Bob Cryer (Bradford, South):** Will the Leader of the House consider allowing a debate on the Foreign and Commonwealth Office matter? Some right hon. and hon. Members have no confidence in the Foreign and Commonwealth Office's ability to do anything other than cover up Mr. Haseldine's allegations. If one was to translate his allegations to the situation concerning Father Ryan, it would mean that four of South Africa's most wanted terrorists, who were here to get arms to use to maim and butcher black people, were released with the connivance of the Foreign and Commonwealth Office, to return to their county, having had serious criminal allegations made against them for the convenience of the Prime Minister because she was about to meet the hated Botha, the representative of the apartheid regime. There is a strong case to answer and many right hon. and hon. Members have no confidence in the Foreign and Commonwealth Office doing anything but shoving this dirt under the carpet.

**Mr. Wakeham:** The hon. Gentleman makes his wild accusations, but impresses no one except his hon. Friend who sits on his right. I have indicated that it is a disciplinary matter and that it is being investigated in the proper manner. It is right that I should say nothing further.

## Consolidated Fund Bill

4.15 pm

**Mr. Speaker:** I have a short statement to make about the arrangements for the debate on the motion for the Adjournment, which will follow the passing of the Consolidated Fund Bill on Monday 19 December.

Right hon. and hon. Members should submit their subjects to my office not later than 9 am on Thursday 15 December. A list showing the subjects and the times will be published later that day. Normally, the time allotted will not exceed one and one half hours, but I propose exercising discretion to allow one or two debates to continue for longer, up to a maximum of three hours.

Where identical or similar subjects have been selected by different right hon. or hon. Members whose names are drawn in the ballot, only the first name will be shown on the list. As some debates may not last the full time allotted to them, it will be the responsibility of right hon. and hon. Members to keep in touch with developments if they are not to miss their turn.

**Mr. Tam Dalyell (Linlithgow):** On a point of order, Mr. Speaker. You gained the Chair with the good will of us all, and not least among the many reasons was that you said that you would be the protector of Back-Benchers' rights. In the opinion of one hon. Member—myself—you have done your best over many years to do so.

There is a non-party issue for the House of Commons to consider. Is it proper that the Consolidated Fund Bill—which until recent years was considered sacred and a time when some of your predecessors would not even allow statements at 3.30 pm because they felt that the Consolidated Fund should start straight away—should be eroded gradually and by a trickle, first, by Adjournment debates, then by long statements, and now by starting at 10 o'clock at night? Several right hon. and hon. Members feel that they are being given even less opportunity to raise matters in prime time. This is a matter that you, Mr. Speaker, ought to consider as a matter of principle.

**Mr. Speaker:** I share the hon. Gentleman's concern, but, as the Leader of the House said, it is not unprecedented. The Consolidated Fund Bill gives Back-Bench Members a precious opportunity to raise matters of interest to them, and perhaps the hon. Gentleman should draw the matter to the attention of the Procedure Committee to see whether, in future, a definite arrangement can be made to ensure that Back-Bench time is preserved.

**Mr. Madden:** On a point of order, Mr. Speaker. On the business statement—

**Mr. Speaker:** Order. I shall deal with points of order on the business statement after the statement by the Secretary of State for Wales.