

ccp/v.



Prime Minister

NON-DOMESTIC RATING

*(at play PT II)*

Your Private Secretary's letter of 12 December recording your agreement to my proposals for transition to the new non-domestic rating system invited John Major and me to settle bilaterally the related issues raised in John's letters of 21 November and 9 December and mine of 29 November. We have done so. This minute seeks your approval and that of colleagues - Malcolm Rifkind and Peter Walker in particular - for our agreement.

We have agreed on the following package:

(i) that a Government contribution in lieu of rates on Crown property will be paid into the National Non-Domestic Rate pool under the new system, based in 1990-91 on an updated assessment of the value of the Government Estate, akin to the revaluation of private sector property now underway;

(ii) that any change in the Government contribution resulting from the reform of business rates in 1990 will be off-set by a corresponding change in the amount of Revenue Support Grant in order to hold constant the total Exchequer finance for local authorities; and we intend to treat any similar change in future years in the same way;

(iii) that our commitment to hold the real yield of business rates constant in 1990 (apart from the natural buoyancy in the tax base) should be interpreted as applying to the private sector and nationalised industries rather than including also the rates paid by the Government and local authorities out of other tax revenues. Thus, for example, any increase in rates paid by local authorities will be recycled through the NNDR pool rather than adding to the



Community Charge. John and I are satisfied that this approach is consistent with our previous announcements, and with the essential commitment to business that the rates on an average property will not rise in real terms after 1989-90;

(iv) that the "decapitalisation rate" used to convert capital to rental values for some properties in the present rating revaluation should, subject to consultation, be prescribed in secondary legislation at 4% for schools and other educational establishments, 4% also for hospitals and other health related establishments, and 6% for other property. The extra-statutory Government contribution in lieu of rates would be based on these ratios for similar properties, and on 4% for specialist defence installations, which are found only in the public sector. Officials can discuss the precise definition of these categories.

We also agreed that it would be right to publish a summary of the results of the Inland Revenue survey of the likely effects of revaluation, to accompany a consultation paper on the proposed transitional arrangements for business ratepayers.

Once we have confirmation of your agreement to all this, I am free to announce the proposed transitional arrangements already agreed. I plan to do so as soon as possible, probably - subject to resolution of the other issue that Nigel Lawson and I have discussed with you - by written answer next week announcing the issue of a consultation paper. I should therefore be grateful to have a response from colleagues by 8 February.

I am copying this to John Major, to other E(LF) colleagues, and to Sir Robin Butler.

N R

3 February 1989

Filed as Local Gov P12

The future of the fabric system



The future of the fabric system is a topic that has been discussed in many ways. It is a subject that is of great importance to the industry and to the public alike. The fabric system has been a part of our lives for many years and it is likely to continue to be so for many years to come.

The fabric system is a complex one and it is one that is constantly changing. The fabric system is a system that is made up of many different parts and it is one that is constantly evolving. The fabric system is a system that is made up of many different parts and it is one that is constantly evolving. The fabric system is a system that is made up of many different parts and it is one that is constantly evolving.

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