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The Rt Hon Nicholas Ridley MP
Department of the Environment
2 Marsham Street
LONDON
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5 July 1989

Dear Nick,

HARMONISATION OF RATING: ~~DECAPITALISATION~~ RATE

Thank you for your letter of 20 June proposing that we each use our powers to prescribe common decapitalisation rates of 6% and 4% as previously agreed. I have also seen Peter Walker's letter of 28 June agreeing to your proposal.

I have been considering the responses to the consultation exercise in Scotland and I have seen nothing to suggest that we need modify our views on a 6% rate for most subjects. Similarly, I agree a lower rate of 4% is justified for schools, universities, polytechnics and colleges of further and higher education provided by local authorities and non-profit making bodies. Like you, I will have to modify my powers to encompass the last of these. I agree also that the question of the inclusion or exclusion of health centres at the lower rate can be settled at a later date.

The consultation exercise has highlighted something which we already suspected, which is that a greater number of types of property are valued on the contractors basis in Scotland than in England and Wales. Those which could possibly cause me difficulties are sports grounds, amateur sports clubs and certain church properties. Sports grounds have featured in the harmonisation discussions but I understand practice will continue to differ north and south of the Border in 1990, with the Scottish assessors continuing to value on the contractors basis and the IRVO on the basis of revenue. The interim report on the harmonisation discussions holds out the possibility of harmonisation of values north and south of the Border for these subjects, but I understand that this would not be possible with a 6% rate. At present the assessors apply a rate of 5% but my inclination is to include them at 4%. On amateur sports clubs, it may be that sufficient rental evidence will be available to assessors, but where they resort to the contractors basis a rate of 6% would result in unacceptably high values. I propose, therefore, to reserve my position on the rates to be applied to all these properties, and I suggest

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the following addition to the answer to the arranged PQ, to be inserted before the last sentence.

"My Right Honourable Friend, the Secretary of State for Scotland, is giving further consideration to the rates to be applied to sports grounds, to amateur sports clubs and to church property valued on the contractors basis in Scotland".

I am copying this letter to the Prime Minister, John Major, Peter Walker, Kenneth Baker and Kenneth Clarke.



MALCOLM RIFKIND

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