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PRIME MINISTER

Rating Revaluation
(C(79) 21)


BACKGROUND

You are familiar with this subject which you discussed recently with the Secretary of State for the Environment (your Private Secretary's minute of 25th May). Abandonment of revaluation was discussed in H Committee (H(79) 2nd Meeting) where views were strongly divided. The Secretary of State, as requested, has submitted a memorandum to Cabinet, (C(79) 21) after consultation with the Chancellor of the Exchequer. It sets out the arguments for and against the cancellation of the revaluation, and seeks agreement of the Cabinet to cancellation.

2. The main underlying issue is the future of domestic rating. The Secretary of State brings this out in paragraph 4 of his paper. His recommendation for the cancellation of the revaluation is consistent with option 4(i).

3. The differences between Ministers turn on the possibility of alternative sources of finance. Some take the view that the Government ought not to cancel the revaluation, or firmly espouse the objective of abolishing domestic rates, until they are satisfied that alternative sources of at least £2.3 billion annually are available. Others take the opposite view that the revaluation should be abandoned in the light of a long-term objective to be rid of domestic rating, with the prospect of a review of alternatives at some future date, perhaps not until the next Parliament. There is also room for a third school of thought that revaluation should be cancelled and that a review of substitute financial arrangements should be set in hand at once.

4. Apart from the question of domestic rating in England and Wales, there are two other relevant matters: (a) non-domestic rating; and (b) Scotland. The Government are committed to retaining non-domestic rating (paragraph 5 of the paper) where there are also anomalies and



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and injustices between different ratepayers. There may well be criticism from commerce and industry if the present faults go uncorrected for a long period. You will therefore want to establish whether it would be practicable to continue revaluation for non-domestic properties. Sir Kenneth Berrill has minuted you separately (18th June) suggesting ways in which this might be feasible.

5. In Scotland, valuations for rating are undertaken by local authorities, not the Inland Revenue. They have been frequent and not unduly troublesome, i. e. 1961, 1966, 1971 and 1978. The next one is due in 1983 and it would require legislation to postpone or cancel it. The Secretary of State for Scotland has a Valuation and Rating (Scotland) Bill in this year's legislative programme to make minor improvements consistent with the Manifesto commitment. If the Cabinet decides to cancel the revaluation in England and Wales, the future position in Scotland will need to be considered.

HANDLING

6. After calling on the Secretary of State for the Environment to introduce his paper, you will wish to ask the Chancellor of the Exchequer for his views.

7. In the course of general discussion the arguments in 6(ii) and 6(iii) favouring abolition and 7(i) and 7(ii) in support of the status quo are likely to be the important ones. You will want the Cabinet to consider both substance and presentation. The Secretary of State for Wales could be invited to point to any specifically Welsh aspects of cancellation.

8. If there is strong opposition to the Secretary of State's paper, you might aim to see whether there is any middle ground, e. g. linked with an early review of alternative finance.

9. You will want to give the Secretary of State for Scotland an opportunity to state the distinctive Scottish position, and to consider its implications.



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CONCLUSIONS

10. In the light of the discussion, you will wish the Cabinet to reach conclusions on -

- (a) The Government's long-term objectives on domestic rating.
- (b) The cancellation or continuation of revaluation in England and Wales.
- (c) Whether, and when, a review of alternative sources of local finance should be undertaken.
- (d) Whether or not the revaluation should continue in the non-domestic sector.
- (e) Any implications for Scottish rating.

Jeh
(John Hunt)

19th June, 1979



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Qa 04157

To: MR WHITMORE
From: SIR KENNETH BERRILL

Rating Revaluation

1. The paper from the Secretary of State for the Environment to the Cabinet on Rating Revaluation (C(79)21) omits one point to which we in the CPRS think attention might be drawn.
2. An intermediate option (which was discussed at H(79) 2nd Meeting) would be to cancel domestic revaluation but to go ahead with non-domestic (industrial/commercial) revaluation. The case for different treatment of the two sectors is:
 - (a) the future of non-domestic rating is not open to the same doubts as domestic rating:
 - (b) it is the sector where the anomalies which arise are probably more serious:
 - (c) unlike the domestic sector, there is plenty of market evidence of current rental values for non-domestic property on which a revaluation can adequately be based.
3. This option was criticised in H Committee on the grounds that it would result in disproportionately high rate burdens for industry and commerce. Revaluation would indeed lead to valuations for the non-domestic sector which on average would be between twice and three times as large as the present list. But it would be possible to correct for this (e. g. by an adjusted poundage for the non-domestic sector or by a reduction of domestic rate relief) so that the revaluation corrected maldistribution of the burden within the non-domestic sector without increasing its total burden relative to the domestic sector.



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4. The net savings of this 'intermediate option' would be only slightly less than full cancellation - about £4m. instead of £5m. (About two-thirds of the permanent staff, and all the casuals are needed for the domestic rather than the non-domestic revaluation.)
5. If the Cabinet generally favour cancellation, they might wish to consider whether this option of limiting cancellation to the domestic sector only should be given urgent consideration before any announcement of total cancellation is made.
6. I am sending a copy of this minute to Sir John Hunt.

CONQUEROR

KB.

LONDON

18 June 1979

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Local Govt.

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10 DOWNING STREET

From the Private Secretary

8 June 1979

The Prime Minister has seen your Secretary of State's paper on rating revaluation (H(79)12) which is to be considered by H Committee.

She has commented that this is an excellent paper.

I am sending copies of this letter only to John Chilcot (Home Office) and Martin Vile (Cabinet Office).

M. A. PATTISON

D.A. Edmonds Esq
Department of the Environment

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10 DOWNING STREET

Prime Minister

In your meeting with Mr. Heseltine a couple of weeks ago, you asked him to cancel the rating revaluation which has recently been set in motion. You invited him to submit a paper on this subject to Cabinet quickly if this were necessary.

H(79)12

He has ~~now~~ submitted the attached paper to H Committee. In it, he examines the arguments for and against: he concludes with a recommendation for cancellation, and proposes that this should be presented as a suspension of the revaluation work whilst the future of the rating system is considered more deeply.

MAP

8 June 1979

Excellent paper
out