

Prime Minister

SCOTTISH PARTY CONFERENCE: FRIDAY 10TH MAY

The different contributions are attached separately at this stage. We meet to discuss the speech on Tuesday morning for an hour, when I hope we can get your reaction to these contributions so we can have a draft to put in for our Wednesday session.

1. Jock Bruce-Gardyne: General
2. Ian Lang: (a) After the Coal Strike
(b) Our Record of Care
3. Michael Ancram: Education
4. Michael Alison: "Britain Behind the Headlines"
5. Stephen Sherbourne: Jobs
6. Stephen Sherbourne: Labour (The Face Behind the Smile)

RATES

- * Oliver Letwyn is still in discussion with Departments and working on a draft for you. Meanwhile I attach contributions so far (which Oliver has of course seen) even though they will be overtaken by Oliver's draft.

7. Ian Lang: Rates
8. Michael Ancram: Rates

John Redwood is drafting a section bringing up to date progress on the six tasks you outlined in the Central Council speech. I understand that this should be ready by Tuesday.

S.S.

STEPHEN SHERBOURNE

3.5.85

* Enclosed in folder under cover of John Redwood's note

SCOTTISH RATES

Scottish Rates

- i) Following this year's revaluation my RHF the Secretary of State for Scotland increased domestic rate relief to 8p in the pound, at a cost of about £90 million. This offset virtually all of the £90 million increase in domestic rate bills directly attributable to the revaluation. My RHF is very much aware of the other problems which exist, particularly for commercial rate payers and he hopes to make an announcement next week.
- ii) Of the 17% average increase in domestic rates in Scotland this year, two-thirds is attributable to council over-spending.
- iii) Revaluations in Scotland are required by law. There were revaluations in 1961, 1966, 1971, 1978 and 1985. The official Opposition urged the Government to carry out the 1985 revaluation.
- iv) Despite revaluation the average rate bill in Scotland 1985/86 will be £32 below that in England (Scotland £397, England £429).
- v) The overall effect of this year's revaluation on commercial property is neutral although the Government is aware that there have been some very substantial rises. There are no statutory powers to give relief to non-domestic ratepayers.

Rates: Bull Points

Rates

- i) Growth in council spending dramatically slowed; over the last five years it has increased by no more than it did in an average single year in the 'seventies'.
- ii) If council spending had continued at its previous rate of increase it would be £4 billion higher now.
- iii) The effect of Government policy is that the burden on the national taxpayer is cut by £2 billion a year, equivalent to 2p off income tax.
- iv) manpower cut by 4% after increasing for over 20 years at 3% a year.
- v) Only £1 in £5 in local authority spending is financed by the domestic ratepayer. - In the cities only 1 in 5 electors are ratepayers.

Labour record

It was Labour which began the process of reducing the RSG percentage. Indeed the Rate Support Grant settlement in 1977/78 not only asked local authorities to cut spending in real terms by over 1½%, but also reduced the grant percentage by 4½% from 65½% to 61%. That is a larger reduction than in any year under this Government.

Overspending

No council is forced to overspend. 75% of 1984/85 overspending came from the 18 rate capped authorities.

PAGE 4, 3RD PARAGRAPH REPLACED BY:

1 ANY NEW SCHEME MUST BE FAIRER THAN THE EXISTING SYSTEM.

2 COUNCILLORS SHOULD ALWAYS HAVE TO CONSIDER NOT ONLY WHAT THEY WANT TO SPEND BUT ALSO WHAT THEIR SPENDING WILL COST THEIR ELECTORS.

3 MANY CONSERVATIVE COUNCILLORS DO THIS ALREADY - BUT MANY LABOUR COUNCILLORS DO NOT.

4 SO OUR ~~FIRST~~ ^{first objective} OBJECTIVE IS TO SEE THAT THE BURDEN FALLS, NOT HEAVILY ON THE FEW, BUT FAIRLY ON THE MANY. ~~THAT WILL STRENGTHEN ACCOUNTABILITY.~~

~~SECOND, A TAX SYSTEM BASED ON PROPERTY HAS OUTLIVED ITS USEFULNESS. MOST COUNCIL SPENDING NOW RELATES TO PEOPLE NOT BUILDINGS. WE MUST HAVE A FAIRER LOCAL TAX.~~

6 AND ~~THIRD~~ ^{second}, HARDLY ANYBODY UNDERSTANDS THE RATE SUPPORT GRANT SYSTEM. WE NEED A CLEARER AND FAIRER WAY OF GIVING EXCHEQUER SUPPORT TO LOCAL SPENDING.

Phew the top is all

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who - that's it

From: Ian Lang, M.P.

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HOUSE OF COMMONS
LONDON SW1A 0AA

23rd April, 1985.

Dear Michael,

I enclose a draft I have done on Rates for the Prime Minister's Perth Conference speech. I hope it may be of some help and I would of course be happy to re-work it to order.

I am working on one or two other sections and will send them over as soon as I can.

Yours ever,

Ian

Michael Alison M.P.

R A T E S

There is one subject in particular about which you will want me to say something this evening. You've guessed: the rates.

Let me just tell you about what we tried to do in the past; what we are trying to do now and what we want to do in the future.

I hate rates. They are unfair. They penalise good husbandry and enterprise. They cause friction between central government and local government. They place their burden on too few people - and in widely varying amounts. Worst of all: most of those who benefit do not contribute and those who contribute most have least say in how the money is spent.

Now I know you had a long debate on the subject yesterday - and a good debate, too. George Younger has told me all about it. A robust debate - and quite right. Trial by combat is not yet dead, after all! But I fully understand the strength of feeling that has been generated on this issue by the revaluation, and by the large increases that the assessors - who act entirely independently of government - have felt it necessary to impose on many householders and businesses. George has kept me fully in the picture, and so have your individual MPs, whom Hector Monro brought to see me recently, when we talked in great detail, and in plain terms, about it.

But our concern as a Party with the rates issue did not begin six weeks or six months ago. It is something we have felt for many years, and something we have tried repeatedly to do something about.

In 1974, we entered the election in October of that year with a commitment that, if elected, we would abolish domestic rating and replace it by a more broadly based tax system related to people's ability to pay. Sadly, we lost that election - and dearly did the nation pay for it.

By 1979, taxation of all kinds had soared; inflation had doubled; we had become saddled with a mountain of debt and local authority expenditure and manpower had roared ahead - even more out of control than that of central government.

So it is hardly surprising that we had to re-assess and re-order our priorities. "Cutting income tax", we said in 1979, "must take priority for the time being over abolition of the domestic rating system."

But that did not mean we were happy with rates, or with the way local authorities were behaving. Far from it. We at once began a struggle to bring their expenditure under control; and we set about trying to find a better, fairer, simpler way of raising local government finance.

We were more successful in controlling their expenditure than in finding a new system and our Green Paper setting out the alternatives, on which we consulted widely, failed to produce agreement, or general acceptability, for any of them.

But we did succeed in curbing the worse excesses of local authority extravagance. Not without difficulty, I might add, Mr President. Our efforts to stop some regional and district councils squandering your money were fought tooth and nail by the Opposition.

The first Scottish Local Government Bill was brought in in 1980; and your Conservative MPs on the Scottish Standing Committee had to sit in Committee for 47 hours to fight it through.

The second one, to strengthen further George Younger's powers to deal with the spendthrifts - you know who they were: the Stirlings, the Lothians, the Kirkcaldys - that took 23 sittings and 87 hours, in 1981.

And these Acts succeeded in their purpose. Just as our national policies were bringing inflation under control, so our local government policies were taming local government expenditure, and the rate increases in 1982 and 1983 and 1984 were the lowest for years.

(Insert here a paragraph of examples of high increases 1978-81 and how we improved matters).

But Labour remains committed to high-spending local councils; and they remain complacently committed to the present system. In 1983 they promised in their manifesto to repeal our legislation and to undo all our good work. And last year when we brought in another Bill - our Rating and Valuation Amendment Bill - to try to improve the present system and to end some of its anomalies, they fought us for 92 hours in committee before we won through.

I believe that our record - George's record and that of his Scottish team, and the backbench MPs - is a fine one in fighting a sustained battle, often late into the night, to protect your interests and the interests of ratepayers throughout Scotland.

Now, of course, that is not enough. The underlying problem remains. No amount of patching up or controlling the existing system can alter its inherent unfairness. Indeed, the levels local government expenditure had already reached before we harnessed them underline that fact, as well as making a solution more difficult and more expensive.

I was deeply disappointed that all the experts failed to produce a solution during the last Parliament. I knew how much the issue mattered - and still does - to so many people, in the rest of the country as well as in Scotland. And I wasn't prepared to let it rest.

That is why I asked Patrick Jenkin, the Secretary of State for the Environment, to set up a team of ministers, led by Kenneth Baker and with Michael Ancram representing Scotland, to have another go at cracking the problem. I told them last October to go away and work on it and to come back with a solution.

Since then, of course, their work has been given new purpose and new urgency by the revaluation you have just had in Scotland. That revaluation has not in itself made Scotland's problem worse than England's where there was no revaluation. Indeed, if I might add as a mere Englishwoman - even though I suppose we English are heavily out-numbered here this evening (numerically, at any rate) - the Scottish system has much in it of which the English might be jealous:

- you have been some years ahead of us in the powers George Younger has secured, and so efficiently used, to control the high spenders
- you have 40% industrial de-rating in Scotland
- you have almost 10% more in rate support grant from central government than we have in England.

- and your average domestic rates (I know averages can be misleading - I'm not an "average" person!) are lower than they are in England. Did you know that the average domestic rate in Newcastle is £509?*

But I know that's not really the point. The fact is that for far too many people - domestic and commercial rate-payers (and I know that some commercial rate-payers, particularly in the High Streets, have had massive increases) - the revaluation has come as a thunderbolt.

It's no good pointing out, though true, that for industry, with a 7% overall reduction, there is scope for growth and the creation of more jobs.

It's no good pointing out that the revaluation covers a period during which, in the early years, we were still struggling with Labour's high inflation - and that inevitably has contributed to the high revaluations that have now followed.

What the revaluation really does is to underline - to magnify - the anomalies, the unfairness and the great damage to family budgets and business budgets, especially small businesses, that are inherent in the present rating system.

Now I must be frank with you this evening. You were very frank

with George yesterday afternoon. I do not yet have a solution that I can lay before you tonight; and I believe it would be wrong, and irresponsible, if I were to jump the gun and offer you some specific commitment now, just because we are meeting here at our Conference. But what I can and do say to you is this: our work is going well. We had a good progress report when we gathered at Chequers a few weeks ago and I am hopeful. The work is continuing - and continuing urgently.

I am hopeful that before long we will be able to lay before you a scheme that will meet our specifications.

And the specifications are these.

It must be a scheme that is fairer than the existing system.

It must be more broadly based, so that those who benefit from local government spending are also in large measure those who contribute to local government spending.

It must ensure that those who carry out local government spending are more directly answerable to, and responsive to, those who contribute to it.

It must be simpler than the present system.

It must be stabler than the present system.

It must be durable. It must stand the test of time; and it must

stand the test of politically motivated onslaught, whether at local or national level.

For too long, the ratepayers of this country have borne an unfair share of the burden. They - the householders, the family shops, the pubs and hotels, the family firms and businesses - they are the very backbone of our society. They form the hearts of our communities - our towns and our villages. They are looking to us for help. They are looking to us for justice. And I am determined they will find it.

This pledge I do give you tonight: I will not rest until we have found a solution to this problem.

And I ask from you a pledge in return. When we do produce our scheme: when we lay before you the outcome of all our work, I ask you to rally to our cause, to unite behind us and to help us to bring it into being and to make it work.