SECRETARY OF STATE FOR THE ENVIRONMENT

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My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
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16 May 1989

Dear Chief Secretary

COMMUNITY CHARGE CAPPING IN SCOTLAND

I have seen your letter of 3 May to Malcolm Rifkind about community charge capping in Scotland.

You mention possible implications for us in England next year of decisions taken now about charge capping in Scotland. As you know, we have always said that we hope we never need to use our capping powers, but equally we have made clear that if it proves necessary we shall not shrink from capping those authorities which, for whatever reason, decide to budget excessively. English authorities have in the past taken the threat of capping seriously, and I believe this will continue to be a significant restraining influence on authorities as they budget for 1990/91. This influence will be particularly important in the first year of the new system when authorities may be tempted to spend up, taking advantage of the blurring of accountability by the transitional safety net arrangements. I would therefore be concerned about any decisions which might lead authorities to doubt our resolve to cap excessive spenders.

Having said this, I believe there is only limited read across between what happens in Scotland this year and the English situation. The circumstances of Scottish authorities are very different, and hence I see no great risk that decisions taken now for Scottish authorities about selection criteria, or about the size of caps, will set precedents from which politically we would find it difficult to depart when next year we come to consider capping in England. Furthermore, in Scotland there is different legislation with materially different capping powers (Malcolm's powers enable him to cap authorities whose spending is excessive and unreasonable, whilst I will be empowered to cap those whose spending is simply excessive); there is no question of Scottish colleagues' decisions forming legal precedents for us in England. A decision against

capping any Scottish authorities this year might be taken as a signal of our intentions for England, but would not, I believe, undermine our position to any great extent. Clearly, a decision to cap in Scotland could be used by us to underline our resolve to use capping if necessary next year here.

Accordingly, the principal factor in any decision to cap this year must be the Scottish situation. The picture which emerges from your letter is one where authorities there generally have budgeted a disappointing high levels, with a few authorities budgeting at levels which can only be regarded as profligate. In such circumstances I believe the case for capping is strong, although I agree that Malcolm is much better placed to advise on the details of selection criteria. And as you say, if we are to cap authorities successfully this year, we need now to move very quickly.

I am copying this letter to members of E(LF) and to Sir Robin Butler.

Yours sincerely

pp NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed in his Absence)