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Prime Minister 2 cc/ps
Written before you
reading this morning.
RRC6
6/2

PRIME MINISTER

I am now looking at the detailed operation of community charge capping, and I am minuting to let you and colleagues know the very tight timetable I am proposing which will mean our having to take complex decisions to tough, but I believe achievable, deadlines.

I have made it clear in public statements that whilst ideally there should be no need for capping, if authorities ignore the need for expenditure restraint and sensible budgets and insist on budgeting excessively I shall not hesitate to cap them in order to protect chargepayers from inordinately high charges. I know that Peter Walker has issued similar warnings about excessive spending by Welsh authorities.

The key timing issue is the interaction between capping and the local elections (all seats on London boroughs and a third of some district councils) on 3 May.

I believe our best course is to press ahead with capping as quickly as possible so that the statutory 28 day period, during which capped authorities are able to respond to our proposed caps, ends before 3 May. This fast track approach is consistent with our objectives of giving chargepayers rapid relief from high charges, and has the practical advantage that authorities which we are requiring to cut their budgets will know where they stand as early as possible. It will require complex decisions to be taken on a very tight timescale and will have implications for the number of authorities which we can cap if we are to minimise the risk of successful legal challenge. But it seems to me to be far preferable to the alternatives of:

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- having the elections occurring during the 28 day period, which would increase the risk of elections being seen as a referendum on capping; it could also make our handling of capping more awkward - if a council were re-elected they could press their response with renewed vigour, or if a different council were elected new representations could be made which we would have to consider; or

- delaying the start of capping until after the elections; this would create considerable political difficulties for us if we sought to cap a council which had been re-elected, and would be contrary to the whole aim of capping which is to give chargepayers rapid relief.

/ I attach a capping timetable on the fast track basis. You will see this approach means that in the last two weeks of March we shall need to take our capping decisions. We are likely to come under pressure from MPs and local authorities before then to indicate likely selection criteria. But we will not wish to be drawn before we have authorities' budgets (this is unlikely to be before 18 March) and can see the implications of particular criteria.

I am copying this to other members of E(LG), and to Sir Robin Butler.

RB

CP

5 February 1990

(approved by the Secretary of State and signed in his absence)

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CHARGE CAPPING PROCEDURE

MARCH/
APRIL

- Authorities send budget information (Deadline: 18 March) and charge information (Deadline: 2 April).
- S of S designates authorities for capping if on basis of general principles applicable to classes of authorities he considers budgets excessive (or excessive increase over previous year).
- Authorities with budgets under £15m exempt.
- S of S proposes maximum budget limits (caps) for each designated authority on basis of what is reasonable in individual circumstances, i.e. not general principles.
- Notices to authorities informing them of designation, principles and proposed caps issue 3 April.

MAY

- Authorities 28 days to reply: Deadline: 1 May.
 - (i) If authority accepts: S of S confirms by notice: *day*.
 - (ii) If no answer: cap set by Order at level S of S proposed.
 - (iii) If different cap proposed: S of S considers. Cap set by Order at same, higher or lower level than the S of S proposed.

LOCAL ELECTIONS 3 MAY

JUNE/
JULY

- Orders: Commons affirmative resolution: June.
- Notices confirming caps in Orders: June.
- If S of S raises limit he may impose conditions on expenditure or financial management by means of notice.
- Authority has 21 days after cap set to reduce budget.
- Lower budgets feed through to lower charges. Authorities issue substitute charge demands: June/July.

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