



PRIME MINISTER

*Pine Mistle*  
*Any comments on the draft statement?* *Rec 6*  
*30/3*

We agreed yesterday that I should make a statement on Tuesday 3 April announcing my capping decisions. I enclose for comment a draft statement.

We also agreed that I should finalise proposed community charge caps in consultation with colleagues. I have looked again at all the proposed caps and my current view, in the light of all the information now available to me, is that I should keep to my original proposals except in the case of Calderdale and Derbyshire where I now believe those proposals were a little too tight.

My original proposal for Calderdale was a £9.3m reduction. I now propose a reduction of £7.5m which reflects new information on the availability of reserves. For Derbyshire, my proposal was for a £46m reduction amounting to some 8% of the budget. In the light of concerns expressed to my Department by officials in the Home Office and Department of Education and Science about the effect of such reductions on police, fire and schools services I now propose a reduction of £40m.

Last night Lambeth set their charge at £547.89 and we understand that the council have also made a new lower budget, although they have not yet provided us with details. We shall need to consider any implications for capping.

I enclose for information a table showing details for all authorities capped under the 12.5%/£75 per adult criterion. I intend to take my statutory decisions to designate and set caps early on Tuesday morning and I would be grateful, therefore, for any comments please by close of play on Monday, both on the draft statement and on my further current proposals for caps.

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

*Urgent - Last para of statement, para 14. If he was sent this 2-3 weeks ago he will have severely anything we can do in future. After first release I would continue - But*

*RB Butler*

CP  
 30 March 1990

*(Approved by the Secretary of State)*

*signed in his absence*

*Parliament has provided that the Secretary of State should not be bound by the decision of the Secretary of State if it is clearly right that he should not do so. On other occasions the Secretary of State has not done so.*



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DRAFT STATEMENT BY THE SECRETARY OF STATE

1. With permission, Mr Speaker, I should like to make a statement about community charge capping in England.

2. Local authorities have now set their budgets and charges for 1990/91. Authorities budgets total £35.8 billion. This is a 16% increase on 1989/90 and 9% above the figure for Total Standard Spending of £32.8 billion which we provided in our Settlement. Overall chargepayers are being asked to contribute some 30% more than domestic ratepayers in 1989/90, despite the fact that we increased central support to local authorities by 8.5%.

3. It is deplorable that local authorities have chosen to budget at these levels putting an unacceptable burden on local people. There is no justification for the level of charges which many authorities have in practice set. The average charge is £363, ranging from a horrendous £573 in Labour controlled Haringey to £148 in Conservative controlled Wandsworth. It is little wonder that strong feelings have been expressed up and down the country about the level of many charges, and I can understand the feelings of outrage a number of my Hon Friends have when faced with the burdens some authorities have chosen to impose on local people.

4. The simple fact is that high charges are the direct result of authorities' own budget decisions over the years. In time I believe that the ballot box will bring greater prudence and realism to local spending decisions. That is the local accountability which is central to our new system of local government finance.

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5. But, Mr Speaker, Parliament has given me powers in the Local Government Finance Act 1988 to cap those authorities whose budgets are excessive and to require them to reduce their excessive plans. We have always recognised that in the early years of the new system, before it has had a chance to bed down, the new accountability pressures would not be fully effective, and there may be a greater need for capping. After having carefully examined all the information available to me about local authorities' budgets, I have to tell the House that I have decided to exercise my capping powers for 1990/91.

6. Under the 1988 Act I can select authorities for charge capping if in my opinion their budgets are either excessive or represent an excessive increase over the previous year. I am not empowered to select any authority whose budget is below the statutory threshold of £15m. For 1990/91, I have decided to select authorities whose budgets are in my opinion excessive in absolute terms.

7. Selection of authorities for capping has to be on the basis of general principles. I cannot pick and choose. I can adopt different principles for different classes of authorities. But the principles should apply equally to all authorities within the same class. I have decided for 1990/91 to apply the same principles to all classes of authorities except that for inner London Boroughs, I have decided to make a special allowance for overspending inherited from ILEA.

8. The best measure of the excessiveness of an authority's budget is an assessment of its overspend against its Standard Spending Assessment or SSA. This overspend represents the sum by which its budget exceeds the amount we consider it appropriate for the authority to spend to provide a standard level of service, consistent with Total Standard Spending of £32.8bn. This is similar to the approach we adopted when selecting authorities for rate capping where we used the benchmark of overspend against GRE.

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9. The principles I am adopting are as follows.

First, for the purposes of capping I judge an authority's budget to be excessive if it exceeds its SSA by at least 12½% and by at least £75 per adult.

Secondly, an authority is designated for capping only where its overspend per adult above the 12½%/£75 per adult benchmark for excessiveness is at least £26 per adult. This is a £26 per adult "de minimis" provision to avoid requiring authorities to reduce their budgets for the sake of only a small reduction in the burden on their chargepayers.

Thirdly, I have decided that where a budget has not been calculated in accordance with section 95(4) of the Act and I have so notified the authority, I should compare the SSA with the budget figures that would result if it had been compiled in accordance with the statute.

10. The special allowance I am making for inherited ILEA overspend means that for inner London boroughs I have deducted from each Borough's budget, for the purposes of comparison with SSA, the amount of its inner London education grant entitlement as set out in the Special Grant report approved by the House on 18 January.

11. By applying these principles to authorities' budgets for 1990/91 I am designating for capping 20 authorities. These are, in alphabetical order: Avon, Barnsley, Basildon, Bristol, Calderdale, Camden, Derbyshire, Doncaster, Greenwich, Hammersmith and Fulham, Haringey, Hillingdon, Islington, Lambeth, North Tyneside, Rochdale, Rotherham, St Helens, Southwark and Wigan. All these authorities are budgeting significantly in excess of their SSAs both relative to the SSAs themselves and in terms of pounds per adult. For the information of the House I am laying in the Library tables showing for all authorities how their budgets compare with

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their SSAs. Copies are available in the Vote Office.

12. Some of the overspends are spectacular by any standards. Take, for example, Basildon: 194% and £154 per adult above SSA. Or Greenwich: 32% and £314 per adult above SSA even after allowing for inner London education grant.

13. For each of the 20 authorities designated on the basis of my general principles I am also proposing caps - that is, the levels to which we are proposing that authorities should reduce their budgets. I have made available in the Vote Office and shall be printing in the Official Report a table showing for each designated authority the cap I am proposing and the budget cuts implied by it. In each case I am satisfied on the basis of all the information available to me that my proposals are reasonable and appropriate in all the circumstances of the individual authorities concerned. The reductions in the charge which would be implied by the caps range from around £100 in the case of Hammersmith and Fulham to about £30 in the case of St Helens.

14. As required by the statute I am today notifying each of these authorities that it has been designated for capping, the principles on the basis of which it has been designated and the amount of the cap I propose. The authorities then have 28 days in which to tell me, if they so wish, whether or not they accept the amount proposed. If they do not, they must suggest an alternative figure together with the reasons for it. In such circumstances it is open to me to set the final cap at a higher, lower or indeed the same level as the one I proposed. If an authority does not accept my proposed cap, I have to set the cap by order, a draft of which must be approved by this House.

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15. Once the final caps have been set the authorities concerned have to set new, lower budgets reflecting their caps. These then feed through to new, lower charges for the chargepayer. How long the process takes depends in part upon how authorities react to the caps which I am today proposing. But I would expect all authorities to have set new budgets by June or July with new charges for chargepayers following as soon as possible thereafter.

16. I must say this to the House. I would much rather not have had to use my capping powers. [The level of the charge is primarily a matter between local authorities, who are responsible for it, and their chargepayers.] [That is as it should be.] But it is right that I should use my powers to protect chargepayers in cases where authorities have budgeted excessively. And it is clearly right that these authorities should curb their spending plans to give their chargepayers the benefit of lower bills. I am satisfied that the authorities I have selected are in this position and that their budgets should be reduced. My proposals will do just this to the benefit of over 4 million chargepayers.

*But this  
no more than  
for many  
chargepayers  
to be able  
to live.*

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CHARGE APPING: Table B - 12.5% and £75 over SSA

Authority	Cont rol	Budget fm	Over SSA		Proposed maximum amount or 'cap'	Implied reduction	
			%	£/head		fm	£/head
Haringey	Lab	216.5	30%	351	206.5	10.0	71
Lambeth	Lab	305.1	23%	321	290.1	15.0	87
Greenwich	Lab	213.0	32%	314	203.0	10.0	64
Hammersmith and Fulham	Lab	167.5	21%	239	155.8	11.7	99
Southwark	Lab	241.0	20%	232	226.9	14.1	86
Brent	Lab	253.9	18%	202	241.7	12.2	63
Islington	Lab	189.5	15%	188	185.8	3.7	30
Camden	Lab	181.4	15%	180	177.0	4.4	35
Barnsley	Lab	142.0	27%	178	132.0	10.0	60
Calderdale	Noc	132.9	21%	160	125.4	7.5	52
Derbyshire	Lab	560.6	25%	157	520.6	40.0	56
Amber Valley	Con						
Bolsover	Lab						
Chesterfield	Lab						
Derby	Con						
Erewash	Con						
High Peak	Noc						
N E Derbyshire	Lab						
South Derbyshire	Lab						
Derbyshire Dales	Con						
Basildon	Noc	27.9	194%	154	23.7	4.2	35
Rochdale	Lab	152.0	19%	152	144.0	8.0	50
Wigan	Lab	200.6	21%	151	190.6	10.0	43
Doncaster	Lab	190.1	20%	144	178.5	11.6	53
Hillingdon	Noc	151.0	20%	143	141.8	9.2	53
North Tyneside	Lab	129.7	19%	136	122.9	6.8	45
Rotherham	Lab	165.4	19%	134	157.6	7.8	39
St Helens	Lab	126.7	16%	130	122.8	3.9	29

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CHARGE APPING: Table B - 12.5% and £75 over SSA

Authority	Cont rol	Budget fm	Over SSA		Proposed maximum amount or 'cap'	Implied reduction	
			%	£/head		fm	£/head
Avon	Noc	533.7	18%	117	507.1	26.6	37
Bath	Con						
Bristol	Lab						
Kingswood	Con						
Northavon	Con						
Wansdyke	Con						
Woodspring	Con						
Bristol	Lab	64.2	96%	108	56.8	7.4	26

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