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Prime Minister

② CCF

Table are sensible proposals
in themselves. Mr Patton has to be
left to take the critical decisions on the
precise caps in the light of individual
circumstances.

7 JUN 1990

But it also shows how tedious,
complex and volume-consuming the
present capping regime is. It makes
the case for the enhanced and streamlined
regime now under
discussion.

BHP 8/6

PRIME MINISTER

CHARGE CAPPING

The purpose of this minute is to seek colleagues' views on my proposals for the final caps of the authorities which did not accept the caps which I proposed and put forward alternative figures.

Of the 17 authorities ("challengers") which challenged their caps 12 put forward alternatives which reflected their original budgets and would therefore lead to no reduction in charges. These authorities include Hillingdon, but following the change in political control they have indicated their desire to set a new budget within the level of the proposed cap. Five authorities have put forward figures which were lower than their original budgets (but still well above the caps proposed), which would lead to charge reductions of around £8 to £38. The proposed caps and authorities' alternatives are summarised in the table attached.

I have carefully considered all the information which the authorities presented in support of their case, including the oral representations made at the meetings which Michael Portillo and Christopher Chope have had with all the authorities - except Hillingdon. My preliminary view, which also takes account of initial comments my officials have received from officials in the major service Departments, is that for all but three of the authorities concerned I am satisfied that the caps which I proposed initially remain appropriate and achievable. In the case of Brent, Southwark and Wigan, I am proposing that caps should be increased by £2.5m, £2.5m and £2m respectively. On this basis the total GGE savings achieved as a result of capping would be £216.7m, as compared to £223.7m implied by my proposed caps for the 21 capped authorities.

CONFIDENTIAL



In the case of Brent, I believe that the cap I proposed originally was a little tight. Whilst there is certainly room for further reductions all parties have represented that the cut implied by the cap originally proposed is not achievable in the remainder of 1990/91. I propose to increase the cap by £2.5m to £244.2m. As regards Southwark I share the concern expressed by the Council about their ability to achieve the reductions implied by the proposed cap without seriously affecting social services delivery. In their comments on the Council's case Department of Health officials voiced their concern about the implications of the cap originally proposed for child protection services in the Borough. I therefore propose to increase Southwark's cap by £2.5m to £229.4m. In the case of Wigan, which has already reduced its original budget by over £5m, I accept that pressing them to make the full reduction of £10m implied by the cap I originally proposed may involve some risk to services; DES officials have expressed concern about the educational effects of the proposed cap. I therefore propose to increase it by £2m to £192.6m. The increased cap figures for the three authorities are included in the attached table, together with corresponding reductions in their budgets and charges.

Where I decide that an authority's final cap should be higher than the cap which I originally proposed I am empowered to impose requirements relating to the authority's expenditure or financial management. Any decision to impose requirements, known as "conditions", must flow directly from the reasons which led to the decision to set the higher cap. The power to set conditions follows a similar power under the rate capping legislation under which conditions were imposed on a number of authorities, including Southwark, but not Brent or Wigan.

Subject to colleagues' views, I propose to set the following conditions:

CONFIDENTIAL



- Brent: to report quarterly on progress in securing longer term expenditure reductions
- Southwark: to report quarterly on expenditure in relation to improving their child protection services
- Wigan: to commission consultants to report on the authority's financial management of education and make recommendations; the authority then to report on its proposals for implementation and on progress.

My officials will be working out the details of these conditions in consultation with those of other Departments concerned, and we shall need to clear any conditions we wish to impose with Treasury Counsel.

I should be grateful for colleagues' views on my proposals for final caps and conditions by 13 June.

I have discussed with Geoffrey Howe the arrangements for finalising the caps, which will involve the Commons approving draft orders confirming my decisions. Subject to the satisfactory outcome of the judicial review proceedings, I have in mind finalising the process by around the end of June. Our current thinking is that, assuming the judgement in the High Court proceedings is given by 15 June, we would lay the orders (except for Hillingdon) on 18 June and debate them on 25 June. Following discussion with Geoffrey, I have laid a separate order for Hillingdon. We have in mind that this would be

CONFIDENTIAL



debated on 25 June, even if there was to be any delay in finalising the process for the other capped authorities (eg because of difficulties following the Court proceedings) - obviously Hillingdon wish to make a new lower budget but cannot do so until we have made the order.

I am copying this minute to other E(LG) colleagues and to Sir Robin Butler.

A handwritten signature in blue ink, consisting of stylized initials.

CP

7 June 1990