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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 July 1990

Dear Phillip,

THE COMMUNITY CHARGE

The Prime Minister held a meeting with your Secretary of State, the Chancellor and the Chief Secretary today to discuss your Secretary of State's minute of 29 June. Three points for further action emerged.

First, your Secretary of State would circulate the joint paper for E(LG) as it stands this evening.

Second, the Solicitor General, in consultation with your Secretary of State as appropriate, should consider whether his proposed approach to the more extensive use of existing capping powers implied any legal constraints on setting the Total Standard Spending (TSS) and the size of the gap between TSS and the outcome on actual expenditure (after capping). Specifically, could any legal considerations suggest that a larger gap than the £1 billion apparently envisaged by your Secretary of State between TSS and the target actual outcome was necessary or - to avoid the risk of successful legal challenge - desirable?

Subsequently, the Prime Minister asked that your Secretary of State, in consultation with the Solicitor General and the Chief Secretary, should demonstrate in terms of proposed capping criteria how an outcome of £40 billion in 1991-92 on actual local authority spending could be achieved under the Solicitor-General's proposed approach to capping and a TSS figure of £39 billion.

Both the above exercises should be completed, and the results circulated, before the E(LG) meeting on Wednesday 4 July.

I am copying this letter to John Gieve (Treasury), Carys Evans (Chief Secretary's Office), and Michael Carpenter (Solicitor-General's Office).

*Yours,
Barry*

BARRY H POTTER

Phillip Ward Esq
Department of the Environment