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bc: Policy Unit

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 October 1990

Dear Philip,

COMMUNITY CHARGE: CHARGE CAPPING, 1991-92

Over the weekend the Prime Minister considered the correspondence on the application of charge capping criteria in England and Wales for next year.

First, the Prime Minister is content for the Welsh Secretary to proceed along the lines proposed in his minute of 19 October. The Prime Minister has noted that it will be vital, when the Welsh Secretary makes his statement on Wednesday 31 October to make clear that, although no capping criteria for Wales are being announced at this stage, the Welsh Secretary will be prepared to cap Welsh authorities later if necessary, and on the same basis as in England.

Second, the Prime Minister has seen copies of the correspondence between your Secretary of State and the Home Secretary (letters of 22 and 26 October) about the case for setting different charge capping criteria at this stage for Fire and Civil Defence authorities (FCDA) and/or Police authorities.

The Prime Minister is not persuaded that it would be appropriate to set different criteria now for these single service authorities. She has noted that this could seriously weaken the whole thrust of the capping policy and conceivably increase the risk of legal challenge. The Prime Minister agrees with your Secretary of State's view that it would be better to announce tough capping criteria now covering all local authorities in England, including these single service authorities; and then to consider later, in the light of consultation, whether there is a case for setting different criteria for perhaps one class of authority such as the FCDA; or (perhaps a more promising approach) whether to allow derogation for individual authorities in trouble.

Third, the Prime Minister has considered the correspondence between your Secretary of State, the Education Secretary and the Chief Secretary (Education Secretary's minutes of 23 and 26 October, Chief Secretary's minute of 25 October; and your Secretary of State's undated minute).

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The Prime Minister has noted both the Education Secretary's proposals for special treatment of the education service under the capping provisions. She appreciates the Education Secretary's concern to ensure that local authorities have sufficient resources to implement the education reforms now in place.

But the Prime Minister does not accept that this constitutes a case for either exempting local education services from the capping regime (even if that were practicable), or modifying the capping criteria to reflect different treatment of the education service. Instead, the Government must ensure that all local authorities are encouraged to find any reductions necessary in order to avoid being capped, or in response to being capped, so far as possible through cuts in spending on central services.

The Prime Minister has also noted that it would be essential for your Secretary of State, in consultation in particular with the Education Secretary, to ensure an effective presentation of policy in this area. For example, this should emphasise that many local education authorities are achieving excellent output in terms of good exam performance while still putting in modest inputs through spending at or below their SSA.

I am copying this letter to the Private Secretaries to the members of E(LG) and to Sonia Phippard (Cabinet Office).

Yours,
Barry

Barry H. Potter

Phillip Ward, Esq.,
Department of the Environment.

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