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**POLICY - IN CONFIDENCE**

The Rt Hon Chris Patten MP  
Secretary of State for the Environment  
2 Marsham Street  
LONDON  
SW1P 3EB

6 November 1990

*Dear Secretary of State.*

You were referring last week to the growing resentment on the consequences for charge payers of the high levels of non-payment of the community charge in some areas of the country, particularly in London.

I am becoming extremely concerned about a comparable problem in Scotland. The failure of certain authorities to use all the means available to them to collect sums due to them has created a situation in which it is likely that the amounts collected will fall short of what was assumed in their budgets for last year and this year. Because we are one year further into the community charge regime it may be that the Scottish problem is not only more significant than yours at present but an indication of the kind of problem that you may have to face before very long.

The root of my concern lies in the fact, now becoming increasingly clear, that our two largest regions and perhaps one or two others are faced with significant shortfalls of income in respect of 1989-90 and in respect of 1990-91 and are approaching their budgeting decisions for 1991-92 on the premise that, when taken along with the consequences of expenditure decisions which might otherwise seem reasonable, these carry overs should be allowed to produce increases in community charge levels which will be very high. I am very anxious that, the authorities concerned should recognise the exceptional gravity of the situation they have got themselves into, and should review the proposed levels of service expenditure for 1991-92 with a view to reducing them if at all possible, with the overriding objective of producing a community charge level that is tolerable. But if they will not act in this way, I will need powers to intervene to reduce their charge levels. My existing powers for "selective action", the Scottish equivalent of your capping powers, which are of long-standing and were used so effectively at various dates in the 1980s, are not particularly well directed towards the emerging problem. This is so because they depend on my establishing, against the possibilities of judicial review, that proposed levels of expenditure on services are excessive and unreasonable. I believe I have to accept that

in relation to some of the authorities with which I might want to deal these tests may not be satisfactorily met.

My officials are considering urgently the form of legislative change that I might require. It may be possible to make limited adjustments to my existing powers. I should like to consider whether I might add provisions to your Lambeth-related Bill to achieve the purposes I have in mind. I may need to write with more detailed proposals very shortly.

I am copying this letter to the Prime Minister, to John Major, to John MacGregor, to David Hunt and to Sir Robin Butler.

Yours sincerely,  
Len Wright

pp. MALCOLM RIFKIND

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

