



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 June 1989

Dear David,

COMMUNITY CHARGE CAPPING IN SCOTLAND

The Prime Minister has seen the recent exchanges on this issue, initiated by the Chief Secretary in his letter of 3 May.

She sympathises with the views expressed by the Chief Secretary and the Secretary of State for the Environment in support of some degree of community charge capping in Scotland. But having studied the papers she has noted that:

- (i) some of the authorities proposed for capping have expenditure per head below average; and Glasgow's charge is well below that of Edinburgh;
- (ii) the timetable for introducing capping is now extremely difficult;
- (iii) the legal advice suggests there are doubts about the prospects of success in a judicial review.

Against that background, and in particular the third point, the Prime Minister is inclined to the view that no further action should be taken in Scotland this year on the possibility of capping. But she believes it is most important to make clear that this decision has no bearing on the possibility of capping in the first year of the community charge in England and Wales.

I am copying this letter to Roger Bright (Department of the Environment), Stephen Haddrill (Department of Energy), Stephen Williams (Welsh Office), Carys Evans (Chief Secretary's Office) and Trevor Woolley (Cabinet Office).

*Yours,
Paul*

(PAUL GRAY)

David Crawley, Esq.,
Scottish Office.

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COMMUNITY CHARGE CAPPING

We have nothing to add to Andrew Dunlop's note except a crucial practical point about timing.

The Treasury initially proposed action in April, envisaging it all being settled by end June. But there has already been a month's slippage and there must be real doubt as to whether the capping process, if a decision to proceed was taken soon, could be completed by the summer recess. Anything later than that would be out of the question.

But even a conclusion as late as July could prove very embarrassing if it got caught up in the end of session logjam. (Affirmative resolutions, one for each capped authority, are needed). Such lateness could also be open to challenge on grounds of unreasonable disruption of authorities' expenditure plans so far into the financial year.

Example:

Assume decision to proceed taken one week today.	9 June
A week to prepare watertight letters to capped authorities.	16 June
4 weeks for representations and for further consideration of these.	14 July

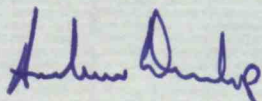
Preparation and debate of
affirmative resolutions and
associated regulations - say
two weeks.

28 July

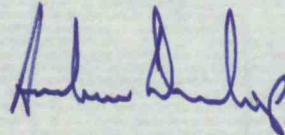
This already takes one right up to the recess without allowing for any slippage eg through authorities' delaying tactics or legal challenge as to the Government's interpretation of "unreasonable" expenditure.

Conclusion

Capping is already a risky venture on purely political grounds. But the lateness of the hour now adds a further degree of risk. We believe that it would be wise to avoid it.



pp JOHN MILLS



ANDREW DUNLOP