

PRIME MINISTER

COMMUNITY CHARGE CAPPING IN SCOTLAND

You saw a fortnight ago some papers on the possibility of selective community charge capping in Scotland. The issues were summarised in my earlier note below, attaching the detailed papers at Flags A-D. The Policy Unit had recommended you to support Malcolm Rifkind's view that there should be no capping this year; but you preferred to leave colleagues to sort the issue out. I did not therefore minute out any comments.

There have now been some further exchanges on this issue, which shows no sign of being resolved. These further notes are immediately below this minute and comprise:-

- at 'I' a further note from Nick Ridley expressing his worries about Malcolm Rifkind's idea of making a statement explaining why no capping in Scotland was being undertaken this year; he feels that would give rise to a clear expectation of no capping in England in 1990-91. *David*
- at 'II' John Major has come back arguing strongly for his original proposal of some degree of capping. He seeks to counter arguments put forward by Malcolm Rifkind, and wants an urgent decision to cap the worst over-spenders.
- at 'III' the Policy Unit reinforce their view that capping would not be appropriate, and argue that the delays thus far strengthen the case against capping.

Since colleagues are deadlocked on this it may become more difficult for you to express no view on the matter (although in practice, given that the time available to introduce capping is running out, continued silence on your part is

likely to favour Malcolm Rifkind's opposition to capping).

Would you prefer:

i) to continue to leave colleagues to argue about this (and probably thereby allow the capping possibility to run out of time)?

or

ii) to express support for Malcolm Rifkind as recommended by the Policy Unit?

or

iii) to support John Major?

or

iv) to suggest a small meeting (very difficult in diary terms)?

English decision not
to discuss
knows election

Recg.

Paul Gray

2 June 1989

*Instructively I am with Mike
Ridley & John Major. But*

a close look at the figures reveals

*that (i) some of the proposed
expenditure per head below average.
Further Glasgow's charge is well below that
of Edinburgh*

*(ii) the time taken is now virtually impossible
and (iii) legal opinion seems to be doubtful about
our chances of winning a judicial review.
If the latter is correct - that settles the
matter.*

*On all 3 factors - I am inclined
therefore to take no further action in Scotland but to make*