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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London SW1

3rd July 1989

Dear Malcolm,

STANDARD COMMUNITY CHARGE

with PG?

I have seen the recent correspondence on this subject beginning with your letter of 8 June and resting with your letter of 29 June.

I sympathise with the point that your powers in Scotland differ from Nick Ridley's in England and Peter Walker's in Wales. I also share your concern about the potential damage to the community charge policy from "hard" cases on second homes.

That said, I share Nick Ridley's anxieties about prescribing a maximum multiplier of one for the standard community charge, even in Scotland. While it might be possible for this to co-exist with a maximum multiplier of two in England and Wales, there seems little doubt that Nick Ridley and Peter Walker would come under pressure to follow your lead. We would therefore risk ending end up with a standard charge multiplier of one throughout the country.

My specific concerns about this are as follows:

- First, setting the standard charge multiplier at one would have the political difficulty that it would be seen as a substantial concession to the wealthy, and also to many Ministers.

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- Second, a standard charge multiplier of one would increase the average personal community charge by an average of some £3 a head (and by substantially more in areas with a large number of second homes), with additional community charge rebate costs of some £2.5 million a year in Scotland and £25 million in England. In addition, people on income support would have to pay slightly more.

Although I well understand your misgivings, I would hope it may be possible to solve the problem, as Nick Ridley has suggested, by giving local authorities discretion to deal appropriately with defined categories of hard cases. It seems to me that this solution merits close consideration as a matter of urgency.

I see no problem in your other proposals except that I would not favour prescribing as exempt from the standard charge any property which is unoccupied and unfurnished. I fear that a continuing exemption on these lines would encourage people to retain second homes, while leaving them unoccupied and unfurnished, thus exacerbating the problems of housing shortage. Would it not be better to limit the period of exemption to (say) three months, possibly with discretion to local authorities to extend the period in certain cases?

I am copying this letter to members of E(LF).

John Major
JOHN MAJOR

