

RS

PRIME MINISTER

COMMUNITY CHARGE CAPPING

As you agreed, I have now arranged a meeting for Monday afternoon, just with Chris Patten, David Hunt, Norman Lamont, Cabinet Office and Policy Unit, for you to have a first talk through the issues involved in community charge capping.

The papers enclosed are:

- Flag A a minute from Chris Patten enclosing a draft of the paper he wishes to circulate to E(LG) setting out his capping proposals;
- Flag B a Policy Unit note;
- Flag C a brief from Richard Wilson.

Chris Patten sets out the arguments for and against capping. But he concludes in favour; mainly I sense because he thinks it would be politically unacceptable to back down after all that has been said about the capping threat. (But my impression is that he would not be excessively upset if you were now to conclude that capping should not proceed.) He goes on to set out a detailed capping package, with the twin criteria of 12½ per cent and £75 per head above SSA. This would catch 21 authorities. This particular approach, like any other, would, however, involve major anomalies - see in particular Annex C to his paper.

On timing, Chris Patten remains keen to press ahead with an announcement on 3 April.

The Policy Unit conclusion is that, notwithstanding what has been said about capping in recent weeks, the balance of argument is strongly against any capping. The note at Flag B sets out their case.

Richard Wilson's note (Flag C) summarises the arguments for and against capping; but then goes on to provide some very useful material on the detailed approach should you decide that capping

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is appropriate. He also brings out that the Scottish and Welsh Secretaries do not envisage any capping (although the criteria in Wales would be the same as in England).

Handling

You will want to use Monday's meeting to reach your own provisional conclusions on:

- (i) whether there should be any capping;
- (ii) if so, whether the sort of approach Chris Patten sets out is the right one.

At the end of the meeting you will need to decide on the next steps. Depending on progress on Monday I suggest that we should then cancel the meeting of E(LG) currently pencilled in on Tuesday, but convert that slot into a meeting with a slightly wider group of colleagues, possibly including:

- the Chancellor of the Exchequer
- Business Managers
- Scotland and Wales
- key spending Ministers, e.g., Education, Home Office, Health and Social Security.

After that, there could be a full meeting of E(LG) on Thursday morning, immediately followed by Cabinet.

*Paul G.*

PAUL GRAY

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