



CONFIDENTIAL

PRIME MINISTER

**CHARGECAPPING**

I have seen Chris Patten's minute to you of 7 June about the final caps for chargecapped authorities. *with BP?*

All the authorities who have requested alternative caps are local education authorities. I am naturally concerned about the potential implications of the final caps for the delivery of education.

In particular a number of the northern metropolitan areas in question are not high spenders on their education services, and yet as I understand it we have no way of discouraging them from requiring cuts to be made in education. I understand that Chris's judgement about the likely effect on services relies partly in some instances on the potential for the drawing down of reserves. I should like some reassurance that he believes this to be a likely outcome.

The possible effects on the inner London boroughs which have newly inherited education are also of concern. Again their major overspending is mainly in areas other than education (once the education transitional grant is taken into account), but in the event they are likely to require some savings in their education services. This may mean that they have to cut teaching posts even though they are suffering shortages. Lambeth and Greenwich seem particularly vulnerable in this respect.

However, I know that Chris is aware of my concerns. If he is confident looking at the financial situation of all these authorities in the round that there is no pressing case for any further alleviation of caps, I am prepared to agree to his proposals.



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We need to recognize that we are likely to face a sustained media campaign about the implications of our decisions. While the final effects will no doubt be less drastic than the authorities are forecasting, we are likely to see cuts in school budgets and losses of teaching posts, some by redundancy. I shall also have to field complaints about reductions to GM school budgets consequent on action by the relevant authorities. It is important that we know how far we shall be able to argue that while some trimming may be needed authorities could if they wished meet their caps without any harmful cuts to services. We are going to be in some difficulty if we cannot assert for example that while decisions are for authorities it is open to some to draw down reserves, or cut spending on non-essentials. We need to be clear how publicity is to be handled before we take final decisions. 9

*Attend particule in future to this.*

I am also concerned about the possible potential for mischief in the setting of a condition related to education for Wigan. Might we be presented with a report from consultants which found that management was satisfactory but seriously questioned the adequacy of their SSA? I would need to be sure that such a condition could not in the event be used to embarrass the Government before agreeing to it.

I am copying this minute to other E(LG) colleagues and to Sir Robin Butler.

*Jm*  
J M

11 JUL 1990

LOCAL GOVT

RATES

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