



9/14

CONFIDENTIAL

PRIME MINISTER

LOCAL AUTHORITY FINANCE 1991-92

with BP?

I have seen Chris Patten's minute to you of 16 October setting out his proposals for capping in 1991-92.

I agree entirely that we need to take action that will constrain the average level of the community charge in 1991-92. I am clear, however, that these proposals will lead to widespread criticism that the only way that very many authorities, including Conservative authorities, will be able to escape capping is by cutting services such as education. Grant Maintained schools will of course be caught by constraints on education budgets.

That will play into the hands of our political opponents unless we can give clear examples of wasteful spending; and be able to say that we would expect authorities to give priority to spending in schools and colleges. Otherwise we shall be very exposed, particularly as it is extremely hard to demonstrate that spending on education in authorities such as Cumbria and Barnsley is excessive.

I therefore believe that we should think very carefully about how we are going to promote this policy in view of service implications before we take final decisions on appropriate criteria. I note that Chris says in his minute that he plans to announce his "intentions". I hope that we will keep open the option of changing the criteria before final capping designations are made in the light of developments over the next few months.

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I am copying this minute to members of E(LG) and to Sir Robin Butler.



JM
(approved by the Secretary of State
and signed in his absence)
19 October 1990

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