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POLICY IN CONFIDENCE

PRIME MINISTER

CHARGE CAPPING 1991-92

*Full with BP*

I have seen Chris Patten's minute to you of 25 October about charge capping.

Everything hinges on the judgement we together reach about the perceived impact of Chris's proposals on schools. His view appears to be that all authorities faced with increases of 9% or less could protect school budgets and find necessary savings elsewhere. I doubt if this will be true; moreover when authorities put schools on notice that increases in their budgets will be constrained by the capping criteria, there is a very strong risk that the blame will be heaped on the Government rather than on the authorities themselves.

Chris cites school reorganisations as a way of making savings on education. But there are only up to 8 major reorganisations in train which are likely to yield savings in 1991-92 as compared with 1990-91 in the 54 authorities facing a 9% or lower limit, and as always with reorganisations there can also be additional early costs.

The handling of the capping proposals in relation to schools is therefore critical in a year when education will have such a high political focus. I have been thinking further about the proposal to exempt from the criteria increases in Aggregated Schools Budgets as I suggested earlier. That would be the surest way of achieving our objective; if in the event however Chris thinks it is not practicable we need to consider what other options are open to us.

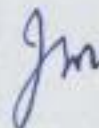
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One possibility would be to modify the criteria a little in respect of authorities with education responsibilities and to say explicitly that that is to allow them leeway on school budgets. We could not guarantee that they would act in this way but it would give us a powerful response to those seeking to blame us for cuts in classroom provision.

Chris estimates his proposals would limit spending to £39.8bn. A move in the criteria to protect school budgets would not necessarily put that total at risk. I understand that the £39.8bn assumes that authorities who have scope to increase their spending by more than 9% within their SSA will do so by the whole of the possible increase up to a maximum of 25%. That assumes for example that Lincolnshire will choose to increase its call on the collection fund by 17.5%, Kent by 19.8% and Barnet by 23.1%. If we assumed that this group of authorities would actually elect to implement more modest increases, it should be possible to propose somewhat higher criteria and still constrain the overall total to around £39.8bn.

Whatever we decide I do feel it is necessary for us to be able to say, as we were not able to say this year, that we would expect authorities to give priority to school budgets. Given the very large number of authorities involved it will not be sufficient for us merely to say as we did this year that it is entirely for authorities themselves to decide how to reduce spending to avoid capping and that we have no view on priorities.

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



JM

26 October 1990

LOCAL GOVT. RATES Pt 20

