

PROFESSOR GRIFFITHS

cc Mr. Turnbull
Mr. Mills

CHARGE CAPPING: LAMBETH

We spoke briefly this evening about the Policy Unit note to the Prime Minister suggesting that the proposed legislation to plug the gap in the Government's charge capping powers (following Lambeth Borough's successful action in the courts) should be extended. The Policy Unit proposal was that local councils should also be prevented, by legislation, from cutting the original devolved budgets of schools, if they are capped.

I can see the attractions in concentrating cuts in central services. But I wonder whether, inevitably controversial, legislation is the right approach.

First as we discussed, the Education Secretary is proposing to limit by Order the percentage of schools education budgets which can be retained centrally. This measure should force more authorities to give larger delegated budgets to schools from next year. This is the key reform needed: it should be mentioned in any note.

Second I think that there are four persuasive reasons for not seeking legislation to prevent cuts in the original devolved school budgets.

- (a) It is fundamentally difficult for central government to require cuts in local authority budgets under the capping powers but then argue that 60% of the typical county's budget cannot be touched. Moreover central administration, particularly in counties, accounts for a very small part of budgets. Most is allocated to services. Which services does the Government wish to see cut instead - police, social services?
- (b) Any limitation on where post-capping budget reductions can be made must increase the likelihood of a successful legal

challenge to the Government's capping powers. The firm application of those powers is essential to keep down community charges next year. Does it make sense to risk the chances of that important policy goal by constraining local councils' ability to exercise cuts?

- (c) I think the note under-estimates the extent to which local authorities can evade the proposed legislation by creative accounting. The Policy Unit note suggests that because budgets are formula driven, LEAs could not set lower delegated school budgets at the outset. If that is true how could they cut them after capping? Either local authorities have freedom to cut back school budgets and will do so for creative accounting reasons in their original budgets if we enact this legislation; or they do not - in which case devolved school budgets are not vulnerable after capping.
- (d) Finally, though I rarely argue in favour of local authority freedom of action (!), I do feel this proposal is against the nature and spirit of the relationship between central and local government. The Government can say a budget is excessive: but where to cut should be a matter for local politicians' choice, subject to meeting minimum statutory standards.

In short, while I am all for exhortation to pare back central administration to the maximum extent possible after (indeed before) capping, I do not think legislation to enforce this would be either desirable or effective.

BHP

BARRY H. POTTER

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