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Policy in Confidence

PRIME MINISTER

CHARGE CAPPING 1991-92

file with BP

I have seen Barry Potter's letters of 19 and 20 October to Phillip Ward. I agree with you that we must make every effort to prevent local authorities from reducing delegated school budgets because of capping, and seek to protect GM schools.

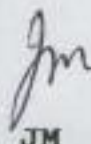
We are considering with lawyers whether it would be feasible to write into the relevant finance regulations provision for the Department to be able not to substitute lower in-year grant figures for GM schools as a result of capping even if an authority reduced the budgets of its maintained schools. This would however require revised regulations which would be highly contentious and give particular opportunities in the House for attention to be drawn to the relatively adverse treatment of all other maintained schools in capped areas. It would be argued that their budgets would have to be reduced further to pay the extra for GM schools. There could also be practical problems if LEAs refuse to declare their budgets or return information to the DES prior to being capped.

That measure would not, however, address the main issue. As soon as Chris Patten announces his proposed capping criteria about half of LEAs up and down the country will be telling their schools that they can expect increases in their delegated budgets of not more than 9% next year (and in some cases significantly less) if the authority is to avoid capping. That will also be directly reflected in GM schools budgets. Given that the cost of teachers' pay (including the full-year effect of the 1990-91 settlement) is likely to rise by more than 9% next year, it will be hard to deny that classroom provision will be squeezed, and schools will not be slow in publicising the likely effects.

I can see only one way of sustaining education service levels in the schools themselves within the framework of Chris Patten's proposals: to exclude increases in the Aggregate Schools Budget (ie the delegated budget) from his capping criteria. That would allow authorities to increase schools' budgets but not spending on such items as central administration. This would give authorities the opportunity to protect classroom delivery and would in parallel protect the direct education costs at GM schools. It would also fit in well with the other steps I am taking to ensure that authorities push as much relevant spending as possible down to school level. I would have to explore whether this is a mechanism which could be adapted to serve our purposes in Inner London where most LEAs will not be delegating budgets to schools until 1992-93.

I have asked my officials to pursue this possibility with DOE officials. If it is not feasible, the only way to protect GM schools from budget cuts by LEAs seeking to avoid capping would be to adopt rather different capping criteria.

Copies of this minute go to other members of E(LG) and to Sir Robin Butler


JM

23 October 1990

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