

BHP 25/10

4

SECRET



PRIME MINISTER

**NON DOMESTIC RATE POUNDAGES**

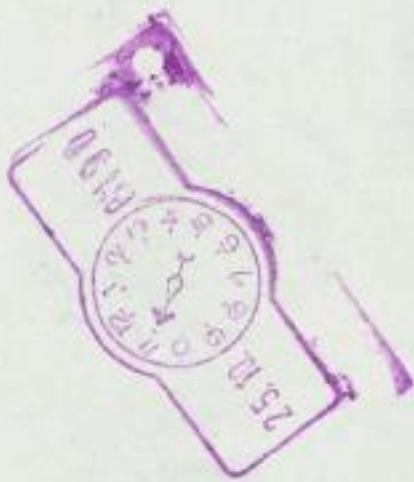
At your request <sup>SEE flap</sup> my officials, together with Chris Patten's and Norman Lamont's, have looked again at the transitional arrangements for small businesses in the light of our decision to index fully the English and Welsh rate poundages. As you now know, we have concluded that our existing powers do not, without primary legislation, permit us to amend the arrangements for the generality of properties.

I very much regret that this should be so, but like Chris I have concluded that the case is not strong enough to justify further primary legislation. As Chris says in his minute, we are going, under our arising powers, to introduce a measure of help for composite properties, one of the most vulnerable groups of small businesses.

I am copying this to John Major, Chris Patten and Norman Lamont.

DH

24 October 1990



LOCAL GOVT

Rates

Pt 20





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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.