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PRIME MINISTER

BARNET: RSG SETTLEMENT 1987/88

Your meeting to discuss Barnet's rates will be attended by the Lord President, Mr. Ridley, Mr. Baker and Mr. Brearley, who is a DOE expert on rates (you may remember him from the Cabinet Office).

There are two main areas for discussion. First, there is the overall rate settlement. The Lord President argued strongly in MISC 122 this afternoon that it was not possible to protect all Conservative authorities. I have asked DOE to produce a table showing the distribution for Conservative authorities with examples of those which do relatively well as well as those which do badly. This should be available tomorrow.

But there is a further question. I understand that the settlement was skewed towards the districts with the district elections next year in mind. This is one of the factors which has hit Barnet, which for these purposes is much like a shire county. Is there a sense in which the settlement has been skewed to help the district elections at the expense of the prospects for the General Election?

I would, however, urge you to respect the Lord President's role in this. He labours mightily each year to achieve a negotiated outcome without involving you, and I know from his Private Office that he would be very sensitive to criticism from you. I think the lesson for next year is that he should at a suitable moment have a word with you to let you know where things are heading on Barnet's rates.

For this year, you could remind DOE of the help they were able to find for the Wirral and one or two other badly affected areas at the last minute to help them through 1986-87. They could have a look to see what might be done for Barnet. (You will remember that you called a meeting with Terry Heiser, Mr. Ridley and others to discuss this.)

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The second question is the treatment of no-area pupils. On this, Mr. Ridley argues that those authorities which are net losers can benefit from a proposed safety net on grant losses in the 1987/88 Rate Support Grant settlement. These proposals would prevent Barnet losing further grant when the related GREA change for no-area pupils is made. Mr. Ridley argues that if the change was made later as a result of a successful court case, Barnet would then not be able to benefit from the safety net: the safety net will only be available at the time of the settlement.

*Martin Sauer*

pp. DAVID NORGROVE

14 October 1986

VC2AMQ

PERSONAL

PRIME MINISTER

BARNET

The note below about the prospects for Barnet's rates has been prepared by DOE.

The picture is as usual very complicated and forecasts of the likely rate increase in any particular area depend on uncertain assumptions. But the analysis suggests that the prospect need not be bleak as the 9.6 per cent which the Policy Unit note indicated, even if the Government refuses to provide any extra grant to meet the costs of the Coventry teachers' agreement. On the assumption made in the note Barnet's position is actually improved by Mr Baker's decision on no area pupils.

The analysis of course provides only qualified reassurance. The rate increase will depend on how much Barnet chooses to spend and on how they choose to finance it. But there seems on the face of it no case for reopening the decisions taken at E(LA) or for seeking to overturn Mr Baker's decision on no area pupils. Do you agree?

*DN*

~~Heard~~  
I would like to hear more  
from Barnet just  
*me*

David Norgrove

7 October 1986

PERSONAL

MJ2CLB

CCBo

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Our assumption about Barnet's total expenditure is that it will increase by the common percentage of about 4% applied to all non-rate limited authorities. The cash increase is £5.1m (from £127.4m to £132.5m).

For spending at this level, the provisional figures suggest that Barnet would get £4.9m less grant than it is receiving for 1986/87 (£37.1m compared to £42m including recycling for 1986/87). It would therefore need to find an additional local contribution to its spending of about £10m (£5.1m extra spending, plus the £4.9m lost grant). If this all came from ratepayers, it would imply an increase of about 11.8% in the borough's own rate, but a 9.6% increase in the overall rate bill (as illustrated to E(LA) last Wednesday).

However, Barnet is likely to have substantial scope to avoid a rate increase of this magnitude, for the following reasons:

a. GLC balances distributed in 1986/87. The LRB has distributed about £89m in GLC balances this year (1986/87). Barnet's share is about £4m. Barnet originally planned to use £3.1m of this money to keep its rate down. But grant recycling now means that Barnet will get £1.6m more block grant than it budgeted for. Its estimate of rate income may also have been on the low side. Barnet is therefore likely to have most of the £4m available in addition to normal rate fund balances at 1 April 1987;

b. GLC balances to be distributed in 1987/88. We estimate that the LRB should have at least £70m to distribute in 1987/88. Barnet's share would be about £3m. There might of course be additional amounts if the outcome of the SATMAN court case is favourable;

c. No area pupils. If DES make the change they have proposed, Barnet's net contribution to the no area pool will be cut by £0.8m. (Its GRE will also fall (by about £2m) but because Barnet is already on the safety net for 1987/88, the GRE cut will not affect its grant). If Barnet uses the cut in its pool contribution to reduce its spending below our assumption, there will in fact be an increase in block grant. Overall, Barnet could be about £1.5m better off.

In tabular form, the position is

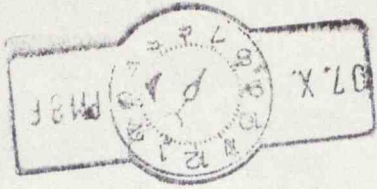
Increase in local contribution to find		£10m
Funds probably available:		
- GLC balances distributed in 1986/87	up to	£4m
- GLC balances remaining to be distributed in 1987/88	at least	£3m
- Reduced spending and increased grant on no area pool		£1.5m

If Barnet used all these resources, it seems likely they could spend at the level we have assumed (less the cut in its no area contribution) and still ask ratepayers for only about 2% more than in 1986/87. We cannot however predict either what Barnet will choose to spend, or how it will choose to finance it.

#### TEACHERS' PAY

We understand that the Coventry package might cost Barnet £2.45m in both 1986/87 and 1987/88. If no extra grant were made available nationally, Barnet would lose grant in both years for an increase in spending of this magnitude. In 1986/87 it would lose about £1.84m, but would benefit from recycling of similar grant losses by all education authorities. Barnet therefore seems likely to be able to find the cost from balances, but these balances would not then be available for use in 1987/88. In 1987/88 it would lose about £1.95m, making the total cost of the package £4.4m, or about another 5% on the borough's rate.

More likely the Government will meet part of the cost of the pay award in each of the years. The cost to Barnet's ratepayers will then be more like 2% to 3% on the borough's rate.



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