

Minister for Local Government



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Prime Minister

ms

I am most grateful
for this useful work

Dear Prime Minister,

DMS
3/12

20 December 1984

The Leader of Barnet Council, Councillor Pym, came to see me this morning with the Chairman of the Finance Committee, Councillor Burton, and the Borough Treasurer, Mr Ross. We discussed Barnet's rate support grant position, and I am writing to let you know the points they made and how Barnet stand in the Settlement for 1985/86.

Councillor Pym has long represented that, while he accepts that Barnet has high rateable resources, the Borough's grant-related expenditure assessment (GRE) under-estimates its needs. He cites the large number of old people in the Borough (Barnet has more than any other London Borough in absolute terms, but ranks sixth when old people are expressed as a proportion of the population), and a high percentage of non-white school children.

Councillor Pym acknowledges that Barnet's block grant for spending at target in 1985/86 (£32.576m) will be £1.467m above the Council's current entitlement in 1984/85. Thanks to this, he expects a very low rate increase for next year. Barnet's 1985/86 GRE, £99.996m, has increased 5.8% from this year, above the outer London average of 4.87%. Councillor Pym regards this higher total GRE, which in particular reflects increases in Barnet's GREs for education and for personal social services, as no more than belated recognition of the Council's expenditure needs. However he is concerned that the increase is below the national average GRE increase of 6.7%, and maintains that the GRE assessments are still inadequate in relation to Barnet's needs.

At present the main difficulty for the Council representatives is how to meet their expenditure target in 1985/86, as they have done (after disregards) each year since 1981/82. Their target for next year is £101.276m, which represents a cash increase of 3.64% on their budget for 1984/85 after taking account of the changes in NIS, and the "Training for Jobs" expenditure transfers. They said they are injured at not receiving the full 4.5% increase which those spending at target and below GRE have received. They regard themselves as equally deserving as the authorities spending below GRE. They told me that they may be unable to keep the cash increase in their expenditure to this level, especially in view of the teachers' pay award, and that they will need to look for savings of about £2½m to meet target.


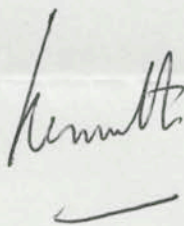
Councillor Pym suggested to me that we should reconstruct the targets in order to give authorities in Barnet's position - those spending at target but above GRE in 1984/5 the same 4.5% headroom as we are giving the low spenders. This of course amounts to scrapping targets this year, and letting all authorities above GRE, the substantial majority of which are Labour controlled, increase their spending in line with the low spenders and with inflation. I had to put it to Councillor Pym that the consequences of this would be wholly unacceptable.

I did agree to consider, but entirely without commitment, a suggestion that certain items of expenditure which we disregard for the purposes of grant penalties should be measured cumulatively rather than only on a year to year basis, and I also invited Councillor Pym to put to me any other item of increasing local expenditure which was entirely outside his control, and hence a candidate for a disregard.

Overall, the position is that Barnet should do comparatively well in grant terms in 1985/86, but it is facing a squeeze on its expenditure target because it overshot GRE this year. If it can live within target, however, there is the prospect of virtually no increase in the borough rate next year.

I am copying this letter to John Gorst, Peter Thomas and Sydney Chapman.

KENNETH BAKER

The Rt Hon Margaret Thatcher MP