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PRIME MINISTER

BARNET

Mr. Baker is sticking by his proposal.

I have asked DoE to look urgently at Barnet's likely rate increase. The main reason for its size is that money is being shifted to the shire districts to help with the district elections. Barnet was apparently frequently discussed at E(LA) - but if there was likely to be a problem they should have kept you more closely in touch.

I suggest await results from DoE before you react to Mr. Baker's minute.

*DW*

David Norgrove  
3 October 1986

*Who was in the Chair -  
I must write a staff letter  
to both the Chairman & Nick Ridley  
me*

JALBAX

GCBB

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PRIME MINISTER

EDUCATION OF NO AREA PUPIL - FUNDING ARRANGEMENTS

You sought further explanation of the proposals in my letter of 2 October to Nicholas Ridley. *at Map*

2 There is no question of robbing Barnet to pay ILEA.

3 Although Barnet educates 0.5% of all the pupils in England, it has no less than 7% of the no area pupils. Up to now Barnet, in common with all other LEAs in receipt of block grant, has received 145% credit for the cost of educating no-area pupils. Under my proposal Barnet would from next year be reimbursed for 100% of the cost of no-area pupils, calculated at standard rates. Hence the estimated loss of up to £2m represents the removal of a windfall gain. However, it needs to be seen in the context of Nicholas Ridley's proposals for the RSG settlement as a whole. Barnet will not suffer financially this year. Its entitlement to grant in 1987-88 will be protected by a safety-net, and Nicholas Ridley will set the terms of that net. In the longer term, however, it will lose grant as the net is unwound.

4 ILEA does not qualify for block grant other than pooling payments. At present it receives 45% of the cost of educating no area pupils from the pool; under my proposal it would receive 100%, yielding a gain of about £3m. But I shall use my power to set ILEA's precept for next year to prevent this extra income generating extra expenditure; it will go to inner London ratepayers. The block grant system will equalise the burden of making up ILEA's gain among all LEAs.

5 The ILEA will almost certainly mount a legal challenge if I do not proceed with this proposal. For the reasons set out in my letter that challenge would be likely to succeed. If it succeeded, then

- i Barnet would not have the protection of a safety net built into the RSG settlement;

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X This is the trouble - Ed prefers leave sleeping dogs to lie, but that won't work.

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ii we should have suffered a second defeat in the Courts at ILEA's hands on a pooling issue. They would crow and accuse us of malice;

iii it might be too late for me to take account of the increase in ILEA's income in setting their precept next year.

In the light of these explanations I do hope that you will agree to my proposal.

5 Copies of this minute go to Nicholas Ridley and John MacGregor.

*k.R.*

KB

Department of Education and Science

3 October 1986

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EDUCATION, Policy Pt 9

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IN THE COURT OF