

PRIME MINISTER

CF - PC
Candy Walker

BARNET COMMUNITY CHARGE

PK 6
7/2

We spoke earlier this evening about the outcome of my discussion with DOE officials in which I tried to unravel the figures given to you in the Barnet briefing. I promised to try to summarise the position in writing.

Since we spoke I have had a further telephone call this evening from David Hunt. If you would like to have a further word with him about the Barnet position, or would like him to see the Barnet councillors, he would be happy to do so.

I have tried in the attached summary table to reconcile all the different figures for both 1989-90 and 1990-91 included in the different parts of your briefing package i.e. Flags A, G and H, plus the summary note David Hunt gave you. I have only uncovered one trivial error; the covering note to Flag H had said "in 1989-90 budgeted expenditure was slightly below GRE"; I think this should have said slightly above.

The various different figures quoted for expenditure or income in 1989-90 were all on a slightly different basis, but seem to be consistent. But I suggest you simply ignore the first two figures (the 149.8 and 148.2). What we do not yet know is the outturn position. But what is clear is that if Barnet spend up to GRE (148.1) - which they have generally not done in the past - this will require a drawing down of balances to cover the excess above the budgeted income of 145.4.

In comparing 1989-90 and 1990-91 there are two approaches that can be adopted, and the table illustrates the relevant "pairings". It may be simplest to start with the bottom pairing on the table, between adjusted GRE and SSA.

The SSA is the key determinant of grant distribution. If Barnet, or any other authority, spend at SSA (160 in Barnet's case) then (leaving to one side the safety net) they would have a community

charge at the average Government figure of £278.

But the new system does not seek to validate spending at SSA for authorities who have some history of spending at below GRE/SSA. This brings us to the first of the comparisons between 1989-90 and 1990-91 in the table i.e. budgeted income and Government assumed spending.

"Government assumed spending" for all authorities has been calculated in the same way. You will recall that, on average, assessed standard spending for 1990-91 is 11 per cent above GREs for 1989-90. But on average authorities have budgeted to spend in 1989-90 some 6.9 per cent above GRE. That means that, again on average, authorities can only spend in 1990-91 3.8 per cent above their budgeted expenditure for 1989-90 if they are to keep within standard spending. A broad brush approach has been adopted whereby "Government assumed spending" for 1990-91 for every authority is set at 3.8 per cent above budgeted expenditure for that particular authority in 1989-90. But as a final adjustment, rather than using 1989-90 budgeted expenditure as the base, this has been switched to budgeted income which is a more checkable figure; this converts the 3.8 per cent into 4.64 per cent.

Applying this formula to Barnet means that Government assumed spending is set at 4.64 per cent above budgeted income for 1989-90, giving the figure of 152.1.

It is this spending figured of 152.1 which generates the suggested community charge figure for Barnet of £315 i.e. £245 (below the standard spending average of £278) plus £70 for the safety net. And it is (for every authority) the Government assumed spending figure which provides the base for calculation both of the safety net and the scheme for individual transitional relief. So if Barnet hold total spending down to 152.1 the maximum actual loss per person on transitional relief will be £3 per week; but to the extent that spending is above 152.1 (even though it is below SSA) maximum losses will be greater than £3 per week.

Where does this take us?

It seems to me that, in presenting this to Barnet councillors, you need to emphasise the position excluding the safety net, and to handle the safety net as a separate argument.

On that basis, if Barnet holds to the Government assumed spending level the community charge could be £245, i.e. well below the £278 average. And it will not go above £278 as long as they can be within SSA.

As regards the safety net, the key point to stress is that the average rate bill per charge payer uprated by 4 per cent is £375 so on average Barnet is a lot worse off under the present system. It is for that reason that Barnet is contributing to the safety net - to put it another way is simply forgoing some of the gains the new system is bringing about. But those gains are only forgone for one year. They will come through in full from 1991-92.

Next Steps

You may like to have another word to see whether the above explanation makes any kind of sense at all to you. You will then want to consider:

- whether you want to have a word with David Hunt

or

- you would like me to try to put together a letter for you to send to your councillors.

RCG

Paul Gray

23 January 1990

c: Barnet (MJ)

£ million

<u>1989-90</u>		<u>1990-91</u>
Budget for net current expenditure	149.8	
Budget for total expenditure (i.e. net current <u>plus</u> financing items and <u>minus</u> specific grants)	148.2	
Budgeted income i.e. rates and grant (called "Barnet Spending" on earlier note)	145.4	Government Assumed Spending (i.e. 145.4 plus 4.64%) 152.1
GREA	148.1	
GREA adjusted on to comparable basis with new SSA (i.e. excluding mandatory student awards)	147.5	SSA (i.e. 147.5 plus 8.5%) 160.0
Outturn	Not Known	