

File

MR TURNBULL

30 July 1984

PRIME MINISTER'S SPEECH: LOCAL AUTHORITY SPENDING

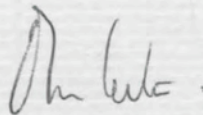
For purposes not connected with the speech, I have asked the Treasury to provide some further figures on local authority spending in England. One of these might, I think, be a useful addition to a passage in the speech on local authorities.

If local authorities had kept their current spending constant in real terms (as measured by the GDP deflator) that spending would now be £1.7 billion below 1984/5 budgets.

A reduction of £1.7 billion in public spending would, in 1984/5 terms, buy you:

- i. one and a half pence off basic rate tax;
- or ii. 8% on all tax allowances;
- or iii. over 2 per-centage points off VAT.

These figures are, of course, over-generous to local authorities. When one asks them to keep their spending constant in real terms, one is ignoring the fact that they themselves have been a major cause of inflation.



OLIVER LETWIN

JMHABU