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My ref: J/PSO/14048/84

Your ref:

June 1984

Dear Tim,

In your letter of 23 May to Alan Davis you suggested that the figures of domestic rate bills since 1966/67, given in answer to a recent Question, might be used in conjunction with annual increases in the RPI to develop the Government's argument in favour of rates legislation.

Though information of this kind has not been used on an annual basis, because (as the table attached to your letter demonstrates) there are substantial year-to-year variations in the difference between rate and price increases, Ministers have regularly quoted figures relating to the period since 1979 in support of the Government's case. For instance, the Rates White Paper observes (in paragraph 1.22) that 'between April 1979 and April 1983 domestic rates in England increased on average by 91% while the RPI rose by only 55%'.

Those opposed to the rates legislation have sought to counter the Government's use of this comparison by arguing that the Government itself has been the cause of rates increasing faster than inflation over this period, by its reduction of the percentage of local authorities' 'relevant' expenditure funded by Aggregate Exchequer Grant. Use of the longer period back to 1966/67 (quite apart from the technical problem arising from the change in local authority responsibilities between 1973/74 and 1974/75) would tend only to serve to strengthen the critics' case. As the attached table shows, the present Government's period of office has been the only period since 1966/67, apart from 1976/77 and 1977/78, when grant percentage has been reduced; up to 1975/76 it increased steadily.

Ministers have pointed out that the Government has followed this policy of reducing the proportion of local spending met by central government in order to reduce the cost of local government to the taxpayer, to increase local accountability and to encourage local authorities to reduce their expenditure. However they have also pointed out that if local authorities had spent in line with Government's expenditure plans rate increases would on average have been below the general rate of inflation (see for instance the Rates White Paper, paragraph 1.22).

It would seem therefore that the Government has probably already made as much mileage as it can, for its rates legislation, from a comparison of rate increases and inflation.

Tommy Mitchell,
Answer

A C ALLBERRY
Private Secretary

AGGREGATE EXCHEQUER GRANT AS PERCENTAGE OF SETTLEMENT
RELEVANT EXPENDITURE AND OUTTURN/BUDGET RELEVANT EXPENDITURE

	Settlement		Outturn/Budgets
	England and Wales	England	England
1967/68	54		
1968/69	55		
1969/70	56		
1970/71	57		
1971/72	58		
1972/73	58		
1973/74	60		
1974/75	60.5		
1975/76	66.5		
1976/77	65.5		
1977/78	61		
1978/79	61	(60)	59.8
1979/80	61	(60)	58.6
1980/81	61	(60)	57.2
1981/82		59.1	54.8
1982/83		56.1	51.2
1983/84		52.8	49.9
1984/85		51.9	

Parliament July 79

AM'S Questioning

07 JUN 1984

