

John Hall B.P. Noted. But the letter ought, for clarity, to read
 "Comm. charge payments contribute only 28%....". It is
 'X' is not the way this figure was worked out. It is
 current finance only - but takes account of taxpayers contribution
 to community charge benefits transitional relief. (Numbers came
 from DOE)

BARRY POTTER

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LOCAL GOVERNMENT FINANCE: THE COMMUNITY CHARGE SHARE

BHP 11/7

My eye was caught by the figures in the Prime Minister's recent reply to Baroness Sharples (copy attached) which aim to demonstrate the way that those who earn more also contribute more to local government finance through general taxation.

That is a sound proposition. But the example begins with the statement that the Community Charge contributes only '28% of local government finance', with the largest share coming from central Government. This is correct, but it relies on 'local government finance' including specific grants outside AEF, credit approvals and capital grants. On this basis, 28% holds good both on a GB and an English basis.

But the example then goes on to show what taxpayers 'pay' towards the cost of local government. Although credit approvals score as public expenditure, should they, one might ask, be included in such an example? No payments are actually made to which taxpayers contribute. They are simply permissions to borrow.

If one works on the perhaps more usual basis of relating aggregate Community Charge to total revenue spending (the AEF/NNDR/CC Trinity), the proportions are rather different:

	<u>GB</u>	<u>England</u>
RSG + specific grants within AEF	38.2%	34.8%
CC	36%	36.5%

In fact, of course, the essence of the problem with community charge is that its share of total revenue spending has jumped sharply compared with the share borne by domestic ratepayers (for England last year this was 29%).

I am therefore left a little uneasy about the use of the 28% figure in the Prime Minister's letter

- (a) because it relies on a careful definition of local government finance rather different from the widely-quoted revenue spending figures;
- (b) and because a definition which includes credit approvals seems inconsistent with the argument about what taxpayers actually pay.

The Prime Minister could possibly be exposed to criticism if the figures used in her letter become part of the general currency. Although of course they are not wrong, they are potentially a little misleading when put in the context of the debate so far about excessive local authority spending.



JOHN MILLS