Local government finance

Further to your letter of 13 February, I am writing to seek some further information on local government finance.

“The 2.3% figure” (2014/15 to 2015/16)

During Brandon Lewis’s appearance before the Committee on 27 January, I asked once again for an explanation of how the Treasury’s 2.3% local government spending reduction figure for 2014/15 to 2015/16 had been calculated. Brandon said that he would “chase up” the letter to me on this issue and “make sure” I received it. I was, therefore, disappointed to find that your letter of 13 February contained no calculations and implied that none would be forthcoming. In view of this, we have attempted to piece together the components it appears were included in the Treasury’s calculations. I should be grateful if you could confirm that the calculation was based on the following elements (and, if it did not, if you could supply details of the elements we have overlooked):

i. Revenue Support Grant;

ii. OBR’s forecast of council tax receipts;

iii. OBR’s forecast of local share of business rates;

iv. Education Service Grant;

v. Pooled budget for health and social care;

vi. New Homes Bonus; and

vii. Public Health Grant.

Inclusion of public health spending (2012/13 to 2013/14)

On 27 January, I also asked Brandon whether local government spending would have increased between 2012/13 and 2013/14 had public health spending not been included. Your letter states that it would and quotes national statistics from the Local Authority
Revenue Expenditure and Financing 2013 Budget, England. As you say, these figures show a rise of £3.75 billion from £98.42 billion to £102.17 billion in 2013-14; of which public health funding accounts for £2.7 billion. I note, however, that these figures are different from those quoted by Brandon in the session on 27 January (£117 billion expenditure in 2013-14 compared to £114 billion in 2012-13).

I am concerned that neither the figures you used nor those used by Brandon give an accurate picture of local government spending. As I understand it, your figures include £1.2 billion financed from local authority reserves in 2013-14, compared to just £20.7 million in 2012-13 – which surely cannot be seen as a sustainable source of finance – while Brandon’s figures include Mandatory Housing Benefits and expenditure linked to other specific grants outside Aggregate External Finance over which local authorities have no control. I am at a loss to see why ministers cannot present figures on a consistent basis.

Previously, Brandon has suggested that spending power is DCLG’s preferred method for presenting data on local government finance. I should be grateful if you could explain why spending power was not used on this occasion. My understanding is that DCLG’s spending power figures show a cash spending power reduction of 1.7% when the Public Health Grant is excluded (and still a reduction of 1.3% even if the Public Health Grant is included). Can you confirm that this is the case?

Measures of local government spending

This exchange raises a wider point, which is impeding my Committee in carrying out its job of scrutiny. It appears that ministers are quoting a number of different measures for local government spending. Over the last year, these have included:

- spending power;
- total net current expenditure (national statistics);
- revenue expenditure (national statistics);
- local government spending (used by HMT in the latest Spending Round); and

These measures produce an array of different figures, which, to be blunt, assist neither public transparency nor open debate on local government expenditure. Is there a case for making the one measure—the spending power figure—the agreed basis for public debate? Do you agree that this also strengthens the case for a local government equivalent of the Office for Budget Responsibility, as discussed with Brandon at the session on 27 January?

I am copying this letter to Sir Andrew Dilnot, Chair of the UK Statistics Authority.

Clive Betts MP
Chair, Communities and Local Government Committee