Dear Clive,

Budget 2015

Thank you for your letter following Budget announcements made on 18th March. You asked about the Local Government Departmental Expenditure Limit (LG DEL), and apparent changes when comparing numbers in last week’s Budget document with the 2014 document.

I can assure you that the difference between the figures does not reflect a further reduction in funding to local government beyond what was decided in the 2013 Spending Review and allocated in the recent settlement. The reasons for the difference are technical ones; they are a result of the time in the financial year in which funds are transferred – for example when reimbursement for business rate relief is reflected in the Budget. These are explained in detail in the accompanying annex.

You mentioned the Budget announcement on retained business rates for Greater Manchester, Cheshire East, Cambridgeshire and Peterborough. This is an important development in our work to devolve more power and increase incentives for growth, but it does not have any impact on the DEL budget.

Yours ever,

THE RT HON ERIC PICKLES MP
Annex A: detailed responses to the two questions raised following Budget March 2015.

1. Could you please set out the reasons and costings for the £1.6bn reduction in planned CLG Local Government DEL for 2015-16?

The £12.1 billion figure for 2015-16 in the Budget 2014 Red Book reflected the published Spending Round outcome for LG DEL of £11.8 billion plus £328 million of Business Rate relief measures announced at the Chancellor’s Autumn Statement in December 2013. Subsequent adjustments have been made to LG DEL at Supplementary and Main Estimates to reflect changes announced at LG Finance Settlements, the 2014 Autumn Statement and Departmental transfers. The transfers include £950 million for New Homes Bonus and an additional £322 million from Treasury in respect of 2014 Autumn Statement Business Rate measures. Other funding transfers from LG DEL have been largely administrative and include:

- £500 million for the Home Office to administer payments for Localising Council Tax Support for Police and Council Tax Freeze Grant; and

- £374 million to DCLG DEL to provide funding for Arms Length Bodies and other discretionary grants and payments outside of Revenue Support Grant, Business Rates and Council Tax Grants. It includes a budget for the Valuation Office Agency, Transformation Challenge Award and Fire Transformation grants. This is a managed change of responsibilities between DCLG’s DELs and does not impact on the amount of funding being made available.

2. Could you please explain why, since last year, the planned reduction in CLG Local Government DEL has doubled, from £1.6bn at Budget 2014 to £3.2bn at Budget 2015?

The apparent additional £1.6 billion difference comes from comparing expected 2014-15 outturn with the 2015-16 Budget at a point in time. However, further budget changes will be made to LG DEL during the course of 2015-16 which will include funding for Council Tax Freeze Grant so the final budget for 2015-16 is expected to be higher. This together with the changes set out above and timing is why the figures look quite different.