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Dear Dr Wilkins,

02 JUN 2015

Thank you for your letter of 12 May to The Rt Hon Greg Clark MP in which you challenged the fairness of the local government finance system. I have been asked to reply as local government finance comes under my portfolio.

The context for the reductions to grant funding to local authorities is of course the need to reduce the deficit. Every bit of the public sector needs to do its bit to tackle the deficit, including local government which accounts for around a quarter of all public spending.

You referred to levels of need and deprivation. It remains the case that councils facing the highest demand for services continue to receive considerably more funding and have significantly higher spending power than less deprived authorities. In 2015-16 spending power per dwelling for the ten per cent most deprived authorities is around forty per cent higher than that for the least deprived ten per cent.

Local authorities have shown great skill in generating efficiencies and prioritising services. Budgets have been balanced and council tax has fallen by eleven per cent in real-terms since 2010, while public satisfaction with local government has been maintained.

The introduction of the New Homes Bonus in 2011, and the incentive to promote local economic growth through the retention of growth in business rates in 2013 marked a change of policy away from local authority dependency on grant. These policies provide local authorities with the tools and incentives so that they can share in the benefits of promoting growth in their local economies and of house building where there is demand for additional housing. All authorities, regardless of their level of dependency on grants, should make the most of these opportunities in order to increase the funding available to them.

You referred to a couple of local authorities whose spending power had increased from 2014-15 to 2015-16. A key reason is differing levels of local authorities' dependency on central government grant, notably revenue support grant which has been reducing since 2010-11 as part of the Government's deficit reduction measures. The New Homes Bonus and business rates incentives also contribute to differing changes to the budget available to local authorities.

The Government will continue to deliver local government finance settlements which are fair to authorities in all parts of the country, north and south, rural and urban, metropolitan and shire. It is also right that local authorities continue to make sensible savings and to work innovatively to deliver value for money for the taxpayer, all the while protecting the most vulnerable members of our society.

Yours Sincerely,

Marcus Jones

MARCUS JONES MP