

Country and Regional Public Sector Finances

March 2016

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1a: Would it be useful to have a country and regional publication that presents public sector finances, on a comparable basis, at the NUTS1 level? What benefits would you find in such a publication? Please be as specific as possible.

A country and regional publication that presents public sector finances, on a comparable basis, at the NUTS1 level, would be very helpful to the Greater London Authority (GLA) and others. GLA Economics, as well as City Corporation and the London Finance Commission, have had to devote significant resources to understanding how much has been raised in London and how/where it was spent. Going forward, the GLA could use this sort of data to develop ideas around infrastructure financing, and produce analysis on whether particular policies are likely to become self-financing or make 'financial sense' from a public finances perspective. A periodical on the regional breakdown of current levels of spending and receipts would provide valuable input to the debate around fiscal devolution and regional policy-making. Following not only the increase in powers to the Scottish government, but the more recent devolution of increased business rates revenue to London government, there is a stronger need for regional current spending and receipts data.

Question 1b: If you have answered yes to Question 1a, how would you use this data?

The GLA would use this data to help develop a more detailed picture of London's finances that would inform more robust, evidence-based policy development. Such regional data would also increase transparency and improve accountability. With the possibility of greater fiscal devolution, such data could also be vital in helping with forecasting for future budgets and for enhancing the devolution debate more generally. More specifically, the GLA could use this data to look at how new and vital infrastructure projects could be financed; if we were more aware of the tax-take from each sector/area we could look at whether a supplement could help fund that particular scheme for instance. Similarly, we could also make a better judgement as to whether a policy would 'pay for itself', e.g. moving people on in employment (progression) for instance, may 'pay back' depending on the level of job achieved; moving people back into work may have a greater impact in some areas than others.

Question 2: If published, the intention is to produce an annual Country and Regional Public Sector Finances publication on a financial year basis. Would this be sufficient to meet the needs you highlighted in questions 1a and 1b?

¹<https://www.ons.gov.uk/aboutus/whatwedo/statistics/consultationsandsurveys/allconsultationsandsurveys/consultationoncountryandregionalpublicsectorfinances>

An annual Country and Regional Public Sector Finances publication, produced on a financial year basis, would be sufficient to meet the needs of the GLA.

Question 3a: Should the ‘who pays’ and ‘who benefits’ principles, described above, be used for estimating revenue and expenditure? Are you aware of other methods or principles that would be better to use?

We are comfortable with the use of the ‘who pays’ and ‘who benefits’ principle for estimating revenue and expenditure and do not have any preferred method. However, we would like this analysis to be conducted, additionally, on a workplace-based methodology (rather than solely residential); this is particularly important for London where a lot of tax revenue raised is in a particular area (central London) by a significant proportion of people who do not live in London. GLA Economics finds it important to look at this in this way because many of taxes arise because of the close proximity of activities (agglomeration). As it is proximity and location of an activity that matters to us most in this case, a residential approach alone would be insufficient to meet our needs fully.

Question 3b: If you agree that the ‘who benefits’ principle should be used for expenditure, should the ‘in’ or ‘for’ approach be used?

We believe that the ‘for’ approach is the most appropriate approach to determine ‘who benefits’. London contains a uniquely high number of areas in which national government spending benefits the entire UK (from airports to museums) and we therefore believe ‘for’ to be the more accurate approach.

An ‘in’ approach would not be unwelcome, but must be in addition rather than instead of the ‘for’ approach.

As noted above the analysis should be conducted on a workplace based basis as well as residential.

Question 3c: Information on the apportionment methods used by the CRA, GERS, NINFBR and Disaggregation of Tax Receipts publications is available in the scoping study. In your view, are there any significant limitations or issues with any of these apportionment methods?

GLA Economics has previously looked at such methodological issues and consultants for the City Corporation have subsequently looked into this also. This work is available at <http://www.london.gov.uk/what-we-do/business-and-economy/business-and-economy-publications/filling-coffers-londons-tax-export> (and earlier documents can be found in the listing at: <http://www.london.gov.uk/what-we-do/research-and-analysis/gla-economics-publications>), and <https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/Research-2014/londons%20finance%20and%20revenues.pdf>.

4a: Table 2 lists a number of specific presentations of data that we would like further input on. For each breakdown listed, please state your preferences as to whether the breakdown should be included within a Country and Regional Public Sector Finances publication.

Table 2: Preferences for presentation of data within a Regional Public Sector Finances publication (see Question 4b)

	Should not be included	No preference	Should be included	Please indicate how you would use this breakdown and provide any other relevant comments
Presentation of public sector revenue:				

ESA ¹ Breakdown (as presented in the PSF Supplementary Table ² and table 32 in mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Tax revenue items listed separately (as in Disaggregation of Tax Receipts, GERS or NINFBR and Table 10 in mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Presentation of public sector expenditure:				
ESA Breakdown (as presented in the PSF Supplementary Table and Table 44 in mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
COFOG ³ breakdown (as in CRA)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Presentation of Public Sector data:				
Sub-sector breakdown (as in Table C in mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Presentation of key aggregates:				
As a percentage of regional GDP ⁴ (as in Table B in the mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
As a percentage of regional GVA ⁵ (as in Table B in the mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
In real terms ⁶ (as in Table B in the mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
On a per head basis ⁷ (as in Table B in the mock publication)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

4b: Are there any presentations of data you would like to see that are not listed above? Please provide details below.

The GLA would favour a disaggregation of tax revenues – local and nationally collected – at NUTS/regional level including business rates and council tax as well as central government revenues, so that we have a London specific position. GLA Economics would also like this analysis to be conducted, additionally, on a workplace-based methodology (rather than solely residential); this is particularly important for London where a lot of tax revenue raised is in a particular area (central London) by a significant proportion of people who do not live in London.

4c: We are also considering the inclusion of an additional table within the monthly UK Public Sector Finances bulletin that would show each devolved administration's current and capital expenditure for year-to-date and previous financial years. This table would use public sector finances data reported by devolved administrations and would not be based on the 'who benefits' concept. Would this additional presentation be beneficial to you? If so, how would you use it?

An additional table showing each devolved administration's current and capital expenditure for year-to-date and previous financial years would be beneficial to the GLA. This table would increase transparency and could provide useful input into the debate around devolution. It is important that sufficient guidance is in place to guard against misinterpretation between these statistics and annual statistics, avoiding the possibility of the publication competing sets of statistics.

5. If you have any other comments or suggestions to make, please note them here.

In the interest of transparency, the GLA would always welcome any increase in the disclosure of public data and looks forward to an opportunity to engage with ONS further as and when more data becomes available.