
Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE

Chris Leslie MP
Shadow Chief Secretary to the Treasury
House of Commons
LONDON
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1 December 2014

Dear Mr Leslie

PUBLIC EXPENDITURE SAVINGS AND INCOME TAX REDUCTION

Thank you for your letter dated 30 October 2014 in which you asked me to consider statements made by the Prime Minister in his article in *The Times* on that day.¹

I should begin my comments with a caveat. While I have considered your question in the context of good practice in statistical presentation drawn from the Authority's experience of official statistics, the sources of data mentioned in your letter are not classified as official statistics. The figures quoted by the Prime Minister are derived instead from the Treasury's Budget Report and the Office for Budget Responsibility's Economic and Fiscal Outlook. While these figures themselves are not classified as official statistics, the Authority's view is that some of the principles in the Code of Practice for Official Statistics – such as the need for clarity in explanation and comparability with other statistical sources – may be useful in preparing commentary about numerical information such as this.

The Prime Minister states that: "In this parliament we will have made £100 billion of savings while cutting income tax by £10.5 billion. In the next parliament we plan to make £25 billion of savings while making £7.2 billion in income tax cuts".

The figures for 'savings' during this Parliament and the next Parliament are drawn from different sources, are derived in different ways, and so are not directly comparable. The £100 billion of savings in the current parliament is, as you point out, an estimate produced by HM Treasury in the 2014 Budget Report for the anticipated spending consolidation from the start of this parliament to 2015-16. This is the government's estimate of the amount by which it has reduced public expenditure compared to a baseline – or counterfactual – that it inherited in 2010. It is based on a series of assumptions about increases in public expenditure under an alternative, hypothetical set of Government policies, explained in the footnote to Table 1.2 of the 2014 Budget Report.² I also note that much of the financial year 2015-16 falls in the first year of the next parliament so a proportion of the £100 billion figure does not relate to the current Parliament. You are also correct to point out that the statement highlights the estimates of changes in income tax revenue and not the changes in total revenue from all revenue streams.

The £25 billion figure for the estimate of savings in the next parliament is derived from a different source to the Budget Report. While this figure does not itself appear in official documents, it can be

¹ <http://www.thetimes.co.uk/tto/opinion/columnists/article4252005.ece>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293759/37630_Budget_2014_Web_Accessible.pdf

derived from them. We have estimated it to be the difference in OBR's forecast of Total Managed Expenditure, excluding central government gross debt interest, between 2015-16 and 2017-18, expressed in estimated 2018-19 prices. Unlike the figure of £100 billion for this Parliament, such a calculation does not incorporate an assumption about the path of public expenditure under alternative assumptions, and the two figures are not directly comparable.

You also refer to the following statement in the Prime Minister's article: "First, we will raise the tax threshold again, so that nobody earning less than £12,500 will pay income tax ... and it means most basic-rate tax payers will pay £3,800 less in tax over the next parliament compared with the Labour plans we inherited."

We understand that the £3,800 figure is based on an assumption that personal tax allowances would have risen in line with inflation in the absence of explicit policy change following the 2010 General Election. We conclude that this statement is reasonably clear.

I am copying this to Sir Nicholas Macpherson, Permanent Secretary to the Treasury, to the Chairman of the Office for Budgetary Responsibility, Robert Chote, and to John Pullinger, the National Statistician.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Dilnot". The signature is written in a cursive, slightly slanted style.

Sir Andrew Dilnot CBE