

COMMUNITIES AND LOCAL GOVERNMENT

The Local Government Finance Settlement (England) 2008-09 to 2010--11

I am today laying before the House the Local Government Finance Report (England) 2008/2009. This report confirms the amounts of revenue support grant (RSG) and non-domestic rates (NDR) to be paid to local authorities in 2008-09, and the basis of their distribution. Alongside my oral statement (official report, column 981 to 983) a draft of this report was laid before the House and issued for consultation on 6 December 2007.

I am also publishing proposals for formula grant allocations in 2009-10 and 2010-11. This is the first full three-year settlement for local government in England. In line with the Government's policy on three-year settlements, it is not intended that the 2009-10 and 2010-11 settlement proposals will be changed from those published today, other than in exceptional circumstances. Nevertheless, separate consultation exercises will be carried out on the Local Government Finance Reports for the second and third years of the three-year settlement, late in 2008 and 2009 respectively – in line with the usual settlement timetable.

The Department received a total of 323 representations within the consultation deadlines from the Local Government Association and London Councils, and from local authorities, local authority groups and Honourable Members. Ministers also met to discuss the provisional settlement with delegations from individual local authorities, including police and fire and rescue authorities and from the Local Government Association, London Councils, and Special Interest Groups representing the different types of local authority in England.

Having considered the representations from all those who have commented on the provisional settlement, I have decided broadly to confirm my proposals on the basis of distribution for 2008/2009 as regards the financial year beginning 1 April 2008. This is a tight settlement but it is fair and it is affordable for local government. It delivers an increase in formula grant to every local authority in each of the next three years.

The final figures published today for the 2008-09 settlement reflect the more accurate data that have become available since we published our proposals, and also appropriate minor data corrections to reflect errors discovered by the Department or notified to us by local authorities. They also include an adjustment for Public Law Family Fees to reflect the policy change by her Majesty's Court Service to full cost recovery for proceedings under the Children's Act.

This year's settlement represents a real terms increase in funding for local government for the 11th year running and my announcement today means that by 2010/11 local government will have received 13 years real terms increases. This will allow authorities to continue to deliver effective services at an affordable cost. We worked closely with local government in the Spending Review 2007, to examine the spending pressures and the scope for efficiencies. The increase in total Government grant for local services since 1997 is 45% in real terms by the end of the Spending Review period covered by this three-year settlement.

We expect local authorities to free up a further 3% a year through efficiency gains, which will mean £1.5 billion net cash releasing savings next year and a total of £4.9 billion by 2010-11, to help local authorities manage service and council tax pressures. Government is providing an additional £150 million funding to support local authorities to achieve this value for money ambition as part of £384 million over 3 years to support local government improvement and efficiency.

Given this substantial investment in local government, there is no excuse for excessive council tax increases. We expect the average council tax increase in England in 2008 to be substantially below 5%. We will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases.

I am sending copies of these reports to all local authorities in England, and making available full supporting information on the Department of Communities and Local Government website at <http://www.local.communities.gov.uk/finance/0809/grant.htm>.

Copies of the reports and related tables showing each authority's allocation of Formula Grant and other supporting material have been placed in the Library of the House of Commons and are available in the Vote Office.