

LOCAL GOVERNMENT FINANCE SETTLEMENT 2007-08

1. With permission, Mr Speaker, I should like to make a statement about local authority revenue finance for England in 2007-08.

Three year settlements

2. Sensible planning for service delivery needs a stable and predictable funding environment. The quality of councils' forward budget plans, their relations with stakeholders whose budgets they support, and their ability to set low and sustainable council taxes, will all be promoted by predictable funding.
3. As I told the House last January, we were then setting out firm proposals for forward financial allocations on a two year basis, including the use of projected data for population and council tax base. As 2007-08 is the second year of a multi-year settlement, my policy is not to change the settlement, including the data used in the grant calculations, from that previously announced, other than in exceptional circumstances.
4. This year's announcement therefore contains no surprises for local authorities. I make a virtue of that, because I am convinced of the advantages of multi year financial planning, and most of what I hear from councils and their delivery partners such as those in the third sector supports that view. Today's announcement launches a period of statutory consultation, and I will fully consider any representations made during the consultation period in the light of my policy in relation to multi-year settlements.
5. Within the framework of stability, I am able to provide adjustments to grant allocations for the voluntary merger of the fire services of Devon and Somerset under a new single combined authority, should that go ahead for 2007-08.
6. I am also updating today details of individual specific grant allocations to local authorities for 2007-08.
7. With the next Spending Review period we will move to give 3 years of grant allocations to local government; that is, for 2008-09, 2009-10 and 2010-11.
8. The stability provided by multi-year settlements will allow local government to publish three-year council tax figures and we would expect it to take up this opportunity.
9. More widely, this security on funding will enable councils to move forward on providing the more flexible, efficient and responsive services to their communities as set out in our October 2006 White Paper *Strong and Prosperous Communities*. It will facilitate the move towards new more inclusive local area agreements, tailored to meet the needs of the individual area, and drawing together different stakeholders to provide

better, more cost effective services that seamlessly meet the needs of clients.

Grant figures

10. Total revenue grants to English local authorities will be £65.7 billion in 2007/08, an increase over 2006/07 of £3.1 billion or 4.9%. Part of that increase is in specific grants, and it includes dedicated funding for schools and a further £525 million in Neighbourhood Renewal Fund, allocating extra help to the 86 most deprived local authority areas in England. Within that total, formula grant will total £25.6 billion in 2007/08, an increase of 3.7%.
11. This means that, by 2007/08, the increase in Government grant for local services since taking office will be 39% in real terms.
12. The provisional standard multiplier for National Non Domestic rates in 2007/08 will be 44.4p in the £; and the small business non-domestic rating multiplier will be 44.1p. This means that once again business and other non domestic users can look forward to predictable and stable rates.

Damping

13. Grant floors - minimum guaranteed increase from one year to the next - are a permanent part of the system. I need to strike a balance between funding stability and the cost of the floor. I am able this year to improve floor protection for fire and rescue authorities, while easing the impact of floors on upper tier and shire district authorities. I can therefore today confirm my proposal that, for 2007/08, the floors will be:
 - Authorities with education and social services responsibilities, 2.7%
 - Police authorities, 3.6%
 - Fire and rescue authorities, 2.7%
 - Shire district authorities, 2.7%.
14. Within each group of authorities, those above the floor will have their grant increase scaled back to pay for the floor.

Budgets and Council tax

15. We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned.

16. Therefore we expect to see an average council tax increase in England in 2007/08 of less than 5%. We will not allow excessive council tax increases.

We have used our reserve capping powers in previous years to deal with excessive increases and won't hesitate to do so again if that proves necessary.

17. I am also announcing consultation on Alternative Notional Amounts for Devon and Somerset Fire & Rescue Authority and Somerset County Council. That will help enable like-for-like comparisons between 2006/07 and 2007/08 budget requirements for capping purposes. This is being issued today for consultation to ensure that, should the proposed merger go ahead for 2007/08, the relevant authorities will know in advance of setting their budgets, the budget requirement figure for 2006/07 that the Government will use when considering using its capping powers.

Supporting People

18. I would now like to turn to the Supporting People programme. Supporting People has proved to be a highly successful programme providing support to over 1 million vulnerable people each year. In July I announced almost £1.7 billion investment in Supporting People and am pleased to now confirm these grant allocations for 2007/08.

19. Additionally I can announce a further £40 million of administration grant for authorities in 2007/08 to help them manage this important programme. I am also pleased to announce that where authorities have generated savings in the programme through their careful management they will be able to roll forward these savings from 2006/07 to 2007/08 in order to re-invest in the programme.

Conclusion

20. Mr Speaker, the Government have provided another significant boost to local authorities with a financial package that is stable, predictable, and adequate to meet the pressures local authorities face while keeping council tax increases down to acceptable levels.

21. I have placed copies of tables giving grant allocations and supporting documentation in the Vote Office and the Library of the House, and full details are being made available for local authorities on our website. I look forward to receiving consultation responses; and commend these proposals to the House.