

House of Commons: Written Statement (HCWS246)

Department for Communities and Local Government

Written Statement made by: **Parliamentary Under Secretary of State for Communities and Local Government (Kris Hopkins)** on 03 Feb 2015.

Local Government Finance

The Government has today laid before the House the Local Government Finance Report (England) 2015-16 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2015-16. These reports set out for each local authority in England, individual local government finance settlement funding assessments, business rates tariffs and top-ups, the basis of their distributions, and the council tax referendum principles for 2015-16.

Further to my oral statement of 18 December 2014, *Official Report*, Column 1590, a draft of the Local Government Finance Report was issued for consultation in December. During the consultation period, which closed on 15 January, Ministers met a number of local authorities and representative groups including the Local Government Association, London Councils, the District Councils Network and the National Association of Local Councils. I also led a phone-in discussion in which over 100 authorities participated. In addition, the consultation received numerous written responses.

Having considered the views of all those who commented on the provisional settlement, we have decided to confirm the proposals for the settlement for 2015-16 as announced. We are confirming our proposal that the council tax referendum principle for 2015-16 will be set at two per cent. In addition, we are providing a further £74 million to upper-tier authorities to recognise that councils have asked for additional support, including to help them respond to local welfare needs and to improve social care provision.

Delivering a fair settlement

Every bit of the public sector needs to do its bit to pay off the deficit left by the last Labour Government, including local government which accounts for a quarter of all public spending.

Yet we have aimed to deliver a settlement that is fair to all parts of the country, both north and south, urban and rural, city and shire. There is still significant scope for councils to deliver sensible savings – from more joint working, better procurement, ‘invest to save’ use of reserves, using transparency to find and cut waste, collecting unpaid taxes, tackling fraud, and better property management.

Even with the savings that have been made to date, English local government expects to spend over £115 billion in the current financial year. Net current expenditure by councils (excluding education due to the shift to academy funding) has risen in cash terms under this Government.

With the addition of the extra resources mentioned above, the overall change in local authorities’ spending power in 2015-16 is now -1.7 per cent. When taking into account the funds that we are providing to support local transformation, the overall final reduction is even lower – at 1.5 per cent. Councils facing the highest demand for services continue to receive substantially more funding and we are continuing to ensure that no council will face a loss of more than 6.4 per cent in their spending power in 2015-16 – the lowest level in this Parliament.

We have deliberately shifted the emphasis from keeping local authorities dependent on grant, to providing councils with the tools and incentives they need to grow their local economies and

promote house building, including through business rates retention. For 2013-14, authorities' own estimates show that over 90 per cent are expecting a growth in their business rates income, of over £400 million in total.

As well as growing their economies, the best authorities are transforming the way they do business. The Government is supporting them as they do so, achieving real savings and – importantly – improving outcomes for the people who use local services.

We also continue to recognise the challenges faced by rural communities. This Government has a clear commitment to rural areas, and consecutive settlements have helped to address the gap in urban-rural Spending Power. We expect the gap to continue to close. In the meantime, the settlement confirms another year of additional resources for the most rural authorities to recognise the challenges they face in delivering services. In 2015-16, this grant has increased to £15.5 million.

Supporting the vulnerable

The Government previously consulted on a range of options for how local welfare provision by upper-tier local authorities (i.e. London boroughs, metropolitan borough councils, unitary councils and county councils in two-tier areas) should be funded in 2015-16 following its localisation. The Department for Work and Pensions also carried out a review. The Government concluded that local authorities would continue to be able to offer local welfare assistance from within existing budgets for 2015-16, alongside a range of other services, if they judge it a priority in their area.

To assist in identifying how much of their existing funding relates to this, an amount relating to local welfare provision was separately identified in each upper-tier authority's general grant. This totalled £130 million nationally and was distributed in line with local welfare provision funding in 2014-15. The Government has always been clear that councils should choose how best to support local welfare needs. Therefore this allocation will not be ring-fenced and we will not be placing any new duties, expectations or monitoring requirements on its use.

In response to representations during consultation, we have now decided to allocate an additional £74 million to upper tier authorities, to assist them in dealing with pressures on local welfare and health and social care. This will further help councils as they develop localised arrangements.

This extra funding is on top of £37 million of additional funding to local authorities for 2014-15 announced last week, so that they can provide additional support packages to get people home as soon as they are ready to leave hospital, and avoid the need for people to go into hospital in the first place. This Government is working to join up local public services and decentralising power and funding to local communities.

Keeping council tax down for hard-working people

We are again providing funding for councils, fire authorities and Police and Crime Commissioners to help freeze their council tax in England. We have now provided freeze funding during all five years of this Parliament. As a result, council tax in England has fallen by 11 per cent in real terms since 2010, when it had more than doubled under the last Labour Government. Indeed, the Labour-run Welsh Government which has refused to fund a council tax freeze from the Barnett consequential payments has seen soaring council tax.

We urge councils to protect tax payers up and down the country by taking the additional funding on offer for a freeze and help hard-working people with the cost of living. The council tax freeze grant from central government will be embedded into councils' baseline funding.

For those which do not freeze, any increase of 2 per cent or more will require a binding referendum of local electorates. Local authorities which want to do so should have the courage of their convictions and seek a mandate for this. It is already the case that a council tax referendum can be held at a reduced cost in 2015-16 when combined with the General Election.

We can further announce today that any savings to the Consolidated Fund as a result of combination of a referendum with the General Election will be redirected to councils, so that the cost of a referendum to a local authority is marginal – such as the small costs of printing and counting some extra ballot papers. This demolishes the argument floated by some that holding a local referendum would result in an excessive cost.

Copies of the Reports will be available in the Vote Office. We shall be making available supporting technical information online on my Department's website.