

Written ministerial statement by Local Government Minister Brandon Lewis on the Provisional Local Government Finance Settlement 2014 to 2015.

(Date: 18 December 2013)

I am today publishing the coalition government's formal proposals on funding for English local authorities for 2014 to 2015. This is effectively the second year of the 2-year settlement that was published last year, and represents a continuation of the new decentralised system of local government finance following the Local Government Finance Act 2012.

Delivering sensible savings and improving services

The Autumn Statement recognised that the local government sector has risen to the challenge of reducing the budget deficit left by the last administration. Indeed, opinion polling suggests that satisfaction with local government is either constant or improved compared to 2010, despite the need for councils to make savings to tackle that deficit.

The Autumn Statement ensured that the local government budget is protected next year so that councils can deliver a Council Tax freeze. Councils now have more stability and certainty to plan budgets and move ahead with transforming local services and ongoing efficiency. English local government accounts for £1 of every £4 spent on public services, and is expected to spend some £117 billion in 2013 to 2014. So the settlement that we are proposing recognises the responsibility of local government to find sensible savings and make better use of its resources. This settlement marks the second year of business rates retention, and leaves councils with considerable total spending power, with an overall reduction, excluding the Greater London Authority, for next year of just 2.9%. We expect the average spending power per dwelling to be some £2,089.

Supporting rural areas

We accepted in 2013 to 2014 that, based on the available evidence, rural areas had been comparatively under-funded. We therefore made an adjustment to recognise the additional costs of delivering services in rural areas. We will be providing an Efficiency Support for Sparse Areas grant worth £9.5 million so that the most rural local authorities can continue to drive forward efficiencies in their area. This is an increase on the grant paid for this purpose in 2013 to 2014 and we intend that the grant will be rolled in to the settlement in 2014 to 2015, offering further protection for the most rural authorities.

Protections for councils

Alongside this we have increased the protection that the safety net will offer, so that no council will face a loss of more than 6.9% in their spending power in 2014 to 2015, a higher level of protection than we offered both last year and the year before. We have achieved this by increasing the amount we have made available to protect councils through the Efficiency Support Grant, now worth some £9.4 million in 2014 to 2015. But we will expect the councils in receipt of that funding – in line with the

efficiencies that we are asking all councils to deliver – to improve services. It is unfair on the rest of local government to expect them to subsidise other councils' failure to modernise public services. In order to further facilitate effective budget planning, we are also making available illustrative figures for 2015 to 2016, and we announced in June that we will be making £3.8 billion worth of pooled budgets available between health and social care. This is the largest ever financial incentive for councils and NHS organisations to jointly plan and deliver joined up services.

In 2013 to 2014, we introduced business rates retention which ensures that those councils who bring in jobs and business will be rewarded for backing local growth and local jobs. Similarly, the New Homes Bonus remunerates those councils who build more homes and bring empty properties back into use. The New Homes Bonus is worth more than £650 million this year and will be some £916 million in 2014 to 2015, as announced to the House on Monday. In response to consultation we have also reduced the amount that we proposed to set aside in the settlement to pay for New Homes Bonus allocations.

Keeping Council Tax down for hard-working people

We expect local authorities to protect taxpayers and help bear down on the cost of living. That is why we have provided up to £550 million of extra funding to local authorities so they can freeze Council Tax for the next 2 years. This means we have provided an unprecedented 5 years of freeze funding worth potentially up to £1,100 for an average Band D taxpayer over the lifetime of Parliament.

From April 2014, funding for 2011 to 2012 and 2013 to 2014 freezes is now in the main local government settlement total for future years. I can also announce that the Secretary of State has agreed with the Chancellor that the funding for the next 2 freeze years will also be built into the spending review baseline. We hope this will give maximum possible certainty for councils that the extra funding for freezing Council Tax will remain available, and there will not be a 'cliff edge' effect from the freeze grant disappearing in due course. We have done our part – we now expect councils to do theirs in helping hard-working people with the cost of living.

We will announce the Council Tax referendum threshold principles separately in the New Year. We are particularly open to representations suggesting that some lower threshold be applied to all or some categories of authorities, given the strong need to protect taxpayers wherever possible from unreasonable increases in bills, and given next year's elections on 22 May across the country allow for referendums to be held at minimal cost. We should trust the people.

The final referendum principles will then be subject to the approval of the House of Commons. In addition, subject to approval by Parliament of the Local Audit and Accountability Bill, which is currently before Parliament, the principles will include levies and will therefore be based on the level of Band D Council Tax. This will mean the principle will relate to the actual increase which appears on people's bills – again reducing costs for taxpayers.

Parish councils and local Council Tax support

We have also set out previously that there is some £3.3 billion in the settlement this year for Council Tax support schemes. There is an element within this national pot that is there specifically to reflect reductions in the parish tax base. We have not separately identified the money because it is not ring-fenced and as caseloads change and schemes evolve, the amount that different parishes need will change. It would be wrong to try to manage that centrally. But we have been clear that we expect billing authorities to carry on passing on support to town councils and parishes to help mitigate any reduction in their taxbase due to the local Council Tax support scheme.

Consultation process

Today marks the start of a period of statutory consultation with local government on the settlement and I welcome their responses. Consultation closes on 15 January 2014. I shall be making available full supporting information online.

I have placed copies of the consultation paper and supporting information in the Vote Office and the Libraries of both Houses. The House will have the opportunity to debate and vote on the settlement in due course.

We have tried to be fair to every part of the country – north and south, rural and urban, metropolitan and shire. Of course, it is inevitable that individual local councils will wish to call for more funding for their area. Unlike the old system which encouraged councils to talk down their local areas to win more funding, the decentralisation of local government finance now puts councils in the driving seat: rewarding them for supporting local enterprise, building more homes and backing local jobs.