

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Local Government Finance

The Parliamentary Under Secretary of State for Communities and Local Government (Bob Neill): I have today laid before the House the Local Government Finance Report (England) 2012-13 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2012-13.

The Local Government Finance Report (England) 2012-13 establishes the amounts of revenue support grant and non-domestic rates to be paid to local authorities in 2012-13, and the basis of their distribution. A draft of this report was issued for consultation on 8 December 2011.

We received written responses from individual authorities, representative bodies and local authority groupings during the consultation, and Ministers met delegations from the Local Government Association, London Councils and a number of individual local authorities and their representatives.

Having considered the views of all those who have commented on the provisional settlement, I have decided to confirm the proposals set out for consultation on 8 December 2011.

The 2010 Spending Review set out how the Coalition Government is tackling the budget deficit inherited from the last Administration and putting the public finances back in order. Every bit of the public sector needs to do its bit to help pay off the deficit, including local government, which accounts for a quarter of all public spending. Our decisions on 2011-12 and 2012-13 achieve fair and sustainable settlements for local government between different parts of the country, from urban to rural and metropolitan to shire.

We have continued to focus resources in a way that gives more weight to those parts of the country with the highest levels of need. These are often the areas which are most reliant on central government grant. As in 2011-12, in calculating the grant distributions we have acted to insulate them by giving more weight to the levels of need within different areas. We have also grouped councils into four bands and set different 'floors' for their grant reductions. This continues to be a fairer and more progressive system of calculating grant than before.

This year's settlement means that the average spending power reduction for 2012-13 is limited to 3.3% (£34 per capita, or £75 per household), less than last year's comparable figure of 4.5%. We have also again made sure that no council will see their overall spending power fall by more than 8.8% through the transfer of £20 million of my Department's budget to local government for 2012-13. This additional funding will smooth the impact of this year's settlement. Councils will have an average spending power of £2,186 per household (£972 per capita) at their disposal in 2012-13. Reflecting the fairness of the settlement, the average spending power per household in Hackney will be £3,050 (£1435 per capita) compared with £1,537 (£656 per capita) in Windsor and Maidenhead.

Many councils have successfully shown that they can deliver significant efficiencies, but there is still more to be done. Smarter procurement, reducing management and support services costs, greater transparency to cut waste, sharing services and tackling fraud can all deliver significant savings to help protect frontline services and taxpayers' interests. And to support councils the Localism Act will trigger the biggest transfer of power in a generation to local communities. The Local Government Finance Bill, currently before the House, will devolve further powers and flexibilities.

This settlement is supported by our extension of the successful council tax freeze scheme to a second year, building on the 2011-12 freeze offer taken up by all eligible councils. The offer being made to local authorities for 2012-13 is set out in the Written Statement of 14 November 2011, *Official report*, Column 27WS-28WS. Council tax more than doubled since 1997 and the freeze will offer real help to hard working families and once again save up to £72 compared to a 5 per cent rise in council tax on top of this year's saving of up to £72. By offering their local residents a council tax freeze again this year, councils will offer real help now with the cost of living to local residents, including pensioners, private sector workers and public sector workers.

The Localism Act also abolished Whitehall capping of council tax in England and allows local residents to approve or veto any council tax rise that exceeds principles endorsed by the House of Commons. The Referendums Relating to Council Tax Increases (Principles) (England) Report 2012-13 sets out the principles which the Secretary of State has now determined will apply to local authorities in England in 2012-13, having considered representations following my Written Ministerial Statement of 8 December 2011, *Official Report*, Column 38WS-41WS.

A local authority will be required to seek the approval of their local electorate in a referendum if, compared with 2011-12, they set council tax increases that exceed:

- 4% for police authorities, and single purpose fire & rescue authorities;
- 3.75% for the City of London; and
- 3.5% for other principal authorities.

In the case of the Greater London Authority, which sets two precepts, it will be required to hold a referendum if, compared with 2011-12, it sets increases that exceed either or both of:

- 4% for its adjusted relevant basic amount
- 3.75% for its unadjusted relevant basic amount

With the exception of the principle for the Greater London Authority's unadjusted relevant basic amount, which the Secretary of State changed after careful consideration, these principles are the same as those that he was minded to set at the time of my Written Ministerial Statement on 8 December 2011.

The Secretary of State will not determine principles for local precepting authorities for 2012-13. However, he wishes to make it clear that he intends to revisit this issue next year, having considered the extent to which local precepting authorities have exercised restraint in relation to council tax this year.

Of course, should all eligible local authorities choose to take up the new council tax freeze there will be no need for council tax referendums in 2012-13. However, any town hall that turns down the council tax freeze offer and tries to burden hard-working families and pensioners with an excessive increase will now have to seek their approval at the ballot box.

I shall be sending copies of the Local Government Finance Report to all local authorities in England, and making available full supporting information on the Communities and Local Government website at:

<http://www.local.communities.gov.uk/finance/1213/grant.htm>.

Copies of both 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.