

ORAL STATEMENT

With permission Mr Speaker, I should like to make a statement on finance for English local authorities for 2013 to 2014 and 2014 to 2015. The Autumn Statement sets out how the Coalition Government is putting our public finances back on track after the catastrophic deficit left to us by the last Labour Government.

Local government has shown great skill in reducing its budgets. Committed local authorities have protected front line services. Little wonder then that at a time of retrenchment satisfaction in council services has gone up.

This year's settlement will see council expenditure fall in a controlled way.

English local government accounts for £1 of every £4 spent on public services.

It spends £114 billion – that's twice the defence budget and more than the NHS.

So this settlement recognises the responsibility of local government to find sensible savings and make better use of its resources.

It marks a new settlement for local government based on self determination and financial independence. A move from the begging bowl to pride in locality.

It begins the biggest shake up of local finance in a generation.

We are shifting power from Whitehall direct to the town hall.

From April, authorities will directly retain nearly £11 billion of business rates instead of returning them to the Treasury.

Striving councils will benefit by doing the right thing by their communities.

If they bring in jobs and business they will be rewarded.

Similarly, New Homes Bonus remunerates councils for building more homes.

Next year the Bonus will be worth more than £650 million and even more in 2014-15.

Under our reforms an estimated 70 per cent of local authority income will be raised locally compared to a little over half under the current Formula Grant system.

A giant step for localism.

The start-up funding assessment, which gives each council's a share of the funding - confirmed in the Chancellor's autumn statement - will see £26 billion shared between councils across the country – with the smallest reductions for councils most reliant on government funding.

We consulted local authorities on our proposals over the summer. And we've listened to what they told us. They told us that there should be less money held back from the settlement. So we've reduced the amounts that we are setting aside for New Homes Bonus, for the safety net and for academies funding. In total that means an additional £1.9bn for local authorities upfront in 2013/14.

Local authorities also told us that they wanted a stronger growth incentive. We were happy to respond. So we've made the scheme more generous, ensuring that at least 25p in every pound of business rate growth will be retained locally.

The settlement leaves councils with considerable total spending power.

The overall reduction in spending power next year is just 1.7 per cent.

A small number of authorities will require larger savings to be made but no councils face a loss of more than 8.8 per cent in their spending power thanks to a new efficiency support grant.

As the name implies, to qualify councils will have to improve services to qualify. It is unfair on the rest of local government to expect them to subsidise other councils' failure to embrace modernity.

But this settlement is not about what councils can take. It's about what they can make.

Meanwhile, the settlement continues protecting fire and rescue as a blue light emergency service.

Today, we have announced £140 million of capital grant money to fire authorities.

Predictably the doom mongers have been consulting their Mayan calendars.

Issuing dire warnings of the end of the world as we know it on Friday.

A billion pound black hole in the local budgets.

Some have shamefully predicted riots on the streets.

Nostradamus needn't worry.

Because all those Malthusian predictions have come to naught.

Concerns that the poorest councils or those in the north would suffer disproportionately are well wide of the mark.

The spending power for places in the north compares well to those in the south.

For example, Newcastle has a spending power per household of £2,522 which is over £700 more than the £1,814 per household in Wokingham.

We've also maintained the system of 'damping' – where Government sets a 'floor' below which council funding will not fall.

This year's average grant reduction for the most dependent upper tier authorities will be less than 3 per cent, compared to 8.7 per cent for the wealthiest. That's more support and protection than last year.

I can also confirm today that local authorities will be able to use the receipts from assets sales raised from 2012-13 onwards to fund outstanding Equal Pay claims.

On top of what I've announced today, the Secretary of State for Health will in due course be confirming public health funding for local councils.

In his Autumn statement the Chancellor recognised the sector has risen to the challenge.

That is why, unlike most of central government, local government was exempted from the 1 per cent top slice next year - worth approximately £240 million to councils.

But as it looks to 2014 and beyond, local government needs to continue finding better, more efficient, ways of doing things. There remains scope for sensible savings. With the exception of a handful of authorities, nobody has got to grips with procurement. More can also be done to share offices, share services, cut fraud and provide more for less.

I've also asked the outgoing Chief Fire and Rescue Adviser, Sir Ken Knight, to pinpoint practical ways to help fire and rescue authorities save money and protect the quality and breadth of frontline fire services.

It is disappointing that the Shadow Fire Minister has signalled his opposition.

It has been noted.

Mr Speaker,

And today, true to my Yorkshire roots, I've published 50 ways to save, setting out practical ways for councils to save money, big and small. But it all adds up.

If councils merged their back offices like the Tri-Borough initiative in London, they could save £2 billion.

Procurement fraud costs taxpayers almost a billion a year.

Councils are sitting on £16 billion of reserves.

Councils aren't collecting over £2 billion of council tax.

Better property management could save £7 billion a year.

We have also announced today that further savings will be made by the abolition of pensions for councillors.

Councillors should be champions of the people, not the salaried staff of the town hall state.

Today's guide gives more power to the elbow and the public to challenge crude cuts and champion sensible savings.

Next year's exemption will give local authorities time to put their house in order.

But let's remind ourselves what this is all about.

- Safeguarding vital public services.
- Protecting families and pensioners.
- Ending the something for nothing culture.

That is why, despite financial pressures, we will continue supporting for the third year running, those who insulate residents from further council tax hikes.

We have set aside an extra £550 million for local authorities to support council tax: £450 million over the next two years for the freeze and an additional £100 million for council tax support will be available in the new year.

All councils have a moral duty to freeze council tax.

It doubled under Labour. It became unsustainable.

We've cut it in real terms.

Just to be clear this year's freeze grant goes into base for the spending review period and has the same status as every other item in base.

Those who would prefer to carry on with increases and see residents miss out should be ready to answer to their local taxpayers and not dodge them by setting the increase just below the threshold.

For next year we have set the referendum threshold at 2 per cent.

I will also introduce a flexibility to support small district, police and fire authorities that have kept council tax low for years.

My Rt Hon friend the Local Government Minister has set out the details in a Written Ministerial Statement.

This is democracy in action: if you want to hike taxes, put it to the people.

I would contrast the action we have taken to freeze council tax with the new housing tax being introduced in the Republic of Ireland.

Tackling the deficit helps keep taxes down.

If you deny the deficit, taxes on everyday families will rise.

Mr Speaker,

To those who want to play the politics of division – let me say this.

This is a fair settlement – fair to north and south, rural and urban, shire and metropolitan England.

But this Settlement is also a watershed moment.

For the first time in a generation, striving councils now have licence to go full steam ahead and grab a share of the wealth for their local areas.

To stand tall, and seize the opportunities of enterprise, growth and prosperity.

I commend this statement to the House.