

COMMUNITIES AND LOCAL GOVERNMENT

The Local Government Finance Settlement 2007-08

I have today laid before the House two reports.

The first is the Local Government Finance Report (England) 2007/2008. This report establishes the amounts of revenue support grant (RSG) and non-domestic rates (NDR) to be paid to local authorities in 2007/08, and the basis of their distribution. A draft of this report was issued for consultation on 28 November 2006.

The second report is the Limitation of Council Tax and Precepts (Alternative Notional Amounts) Report (England) 2007/08. This sets out the Alternative Notional Amounts for Devon and Somerset Fire & Rescue Authority ("the combined authority") and Somerset County Council only and is made to reflect the creation of the combined authority by the Devon and Somerset Fire and Rescue Authority (Combination Scheme) Order 2006. It gives the 2006/07 budget requirement figures for these authorities that the Government will use when considering using its capping powers. A draft of this report was issued for consultation on 28 November 2006.

Communities and Local Government received a total of 169 written representations within the consultation deadlines from the Local Government Association and London Councils, from local authorities, local authority groups and Honourable Members. Ministers also met with delegations from London Councils and Special Interest Groups representing the different types of local authority in England, to discuss the proposals.

Having considered the views of the local authority associations and others who have commented on the provisional settlement, I have decided to confirm my proposals on the basis of distribution for 2007/2008 and the alternative notional amounts as regards the financial year beginning 1 April 2006.

The final figures published today for 2007/2008 confirm those originally published with the 2006/07 settlement in January 2006. In line with Government's policy on multi-year settlements, it has always been clear that the settlement for 2007/08 - as the second year of a multi-year settlement - would not be changed from that previously published other than in exceptional circumstances. Having fully considered all the representations received during consultation I have not found such exceptional circumstances.

This settlement represents continued real terms increase in investment in local government which will allow authorities to continue to deliver improving services at an affordable cost. We have provided Formula Grant over and above previous plans of £508m. As a result, total formula grant for 2007/08 will be 3.7% higher than in 2006/07.

Specific grants, such as the Dedicated Schools Grant, are on top of these figures and bring the total increase in funding for local authorities to 4.9% in 2007/2008. This brings the total increase in money from Government to local councils including schools to 39% in real terms from 1997 to 2007/2008.

Given this substantial investment in local government, there is no excuse for excessive council tax increases. As in previous years, we are prepared to take capping action to deal

with excessive increases. No authority should be complacent about the Government's resolve in this matter - this includes requiring authorities to rebill if that proves necessary .

I shall be sending copies of these reports 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/0708/grant.htm>.

Copies of the reports and related tables showing each authority's allocation of Formula Grant and other supporting material, have been placed in the Vote Office and the Library.