

Copy of the Minister for Local Government's statement to the House of Commons on Tuesday 19th July

I am pleased to announce the broad outline of how the Government intend to implement three-year finance settlements for local government.

The move to three-year settlements will provide greater financial certainty and stability for local government, council tax payers, businesses and other local partners. Three-year settlements will provide local government with the same certainty and planning horizons that departments already benefit from through our reformed public spending system. They will be a vehicle for greater long term coordination across central government towards local government services. The benefits for local people should be improved service delivery and greater stability in future council tax.

In December, ODPM published a consultation paper, "*Three-year Revenue and Capital Settlements*", which sought views on the Government's proposals for the implementation of three-year settlements for local government in England. The consultation fulfilled a commitment in the 2004 building regulations to consult on these proposals with local government and other stakeholders with a view to agreeing settlements for 2006–07 and 2007–08 during 2005. The consultation ended on 11 March 2005. Some 186 responses were received and they broadly welcomed the principle of introducing three-year allocations for revenue and capital funding. A summary of responses was published on 30 June and copies have been placed in the Libraries of both Houses.

The consultation paper stated the Government's intention to move to three-year settlements for local government by the end of the current Parliament. The first settlement, to be announced in autumn 2005, will cover the two remaining years of building regulations 04 (2006–07 and 2007–08). From 2008–09, three-year settlements will be fully aligned with the spending review cycle.

Following consideration of the consultation responses, implementation will proceed along the following broad principles:

- A move to greater certainty in forward indications of local authority council tax levels. This will be based on further discussions with local government to ensure maximum forward looking information for council tax payers.
- Specific revenue grants will generally be allocated on a three-year forward basis.
- For formula and revenue grant, we will align all aspects of three-year settlements with the existing spending review round, with firm three-year allocations being announced for the first full spending review cycle after three-year settlements are introduced. To make these settlements

more forward looking, stable and predictable we will use projections of changes in population and council tax base; and will not, except in entirely exceptional cases, retrospectively amend any year's settlement.

- Capital funding, whether in the form of grant or supported borrowing, will generally be allocated on a three-year forward basis with exceptions for some small bid-based programmes, funding for emergencies and funding for large one-off projects.
- The formulae proposed for the 2006–07 housing revenue account subsidy (HRAS) Determination will remain unchanged for the 2007–08 HRAS determination. Stock and other data about individual authorities will as usual be updated for 2007–08 by means of the base data return to be issued in 2006.

To ensure local authorities and council tax payers gain the maximum benefits of three-year settlements, Government Departments will work to ensure that their funding is either moved to a firm three-year basis or designed to offer authorities as much forward certainty as possible. The principles outlined above will be applied by government departments, in conjunction with local government, as they finalise the details of the settlement in the run up to its announcement in the autumn.