



Office of the
Deputy Prime Minister

Creating sustainable communities

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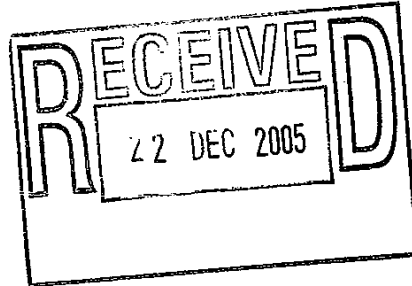
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19 December 2005

Keith R Mitchell
South East England Regional Assembly
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Keith



Thank you for your letter of 23 November regarding local government finance for local authorities in the South East. I apologise for the delay in replying.

As you will know, the Government announced the provisional local government finance settlements for 2006/07 and 2007/08 on 5 December. The announcement also launched a consultation period on our proposals during which representations both in writing and face to face will be welcomed. The consultation period closes on 11 January 2006.

If you wish to meet with myself or other Ministers in my Department to discuss the settlement for the South East, please contact 020 7944 8989 as soon as possible. Full details of how to respond to the consultation can be found on the ODPM website at <http://www.local.odpm.gov.uk/finance/0607/conlet.pdf>

Our proposals for grant distribution in 2006/07 and 2007/08 include a new grant system which focuses on the cash which councils are to receive, and incorporates updated grant formulae that use data from the 2001 census and recent information on what drives service costs. The introduction of the new formulae will be phased in to provide a further level of protection for authorities, and the grant floor will ensure that all authorities see a reasonable increase in formula grant each year

Following the work which we undertook jointly with the Local Government Association, the provisional settlement incorporates extra provision over and above previous plans of £305m in 2006/07 and £508m in 2007/08. We are also committed to working with local authorities to take action on pressures, including a strengthening of the New Burdens procedure and a continued commitment to discussing new burdens with local government and measures to mitigate them. We will also be looking at managing pressures in the areas of pay and pensions, adult social services and waste, particularly in the context of CSR07. It is, of course, important that local government look to continue to deliver efficiency gains which we expect to be at least £6.45 billion by 2007/08.

Our proposals will enable councils to deliver effective services without imposing excessive council tax increases. The Government expects the average council tax increase in England in 2006/07 and 2007/08 to be less than 5% in each year. We are prepared to take capping action to deal with any excessive increases, as we have done over the past two years.

We expect to announce the final settlement in line with the usual timetable in late January or early February.

DAVID MILIBAND