



10 DOWNING STREET
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11 January 2016

THE PRIME MINISTER

Dear Caroline,

I wanted to thank you and your co-signatories for your letter of 17 November about the 2015 Spending Review and Local Government funding.

Councils have worked hard over the past five years to deliver a better deal for local taxpayers and keeping council tax down, while satisfaction with local public services has also been maintained. However, with councils accounting for a quarter of all public spending, they need to continue playing their part in tackling the deficit.

The Spending Review and Autumn Statement deliver on the Government priority to provide security for working people at every stage of their lives. While ensuring Britain once again lives within its means, the Government sets out a plan to spend more than £740 billion in each year of this Parliament.

For Local Government, this means a cash terms rise from £40.3 billion to £40.5 billion in 2019 to 2020 with councils having almost £200 billion over the course of this Parliament to spend on local services. This represents a fall of just 1.7 per cent per year in real terms over the Spending Review period.

This assessment does not take into account the potential for Local Authorities to use reserves, which have increased by nearly £10 billion over the last Parliament.

Our devolution revolution is giving local leaders sweeping new powers and millions of pounds in investment to boost local growth and create jobs. This means that, by the end of this Parliament, the Local Government sector will be able to retain 100 per cent of local taxes to spend on Local Government services.

In recognition of the growing demand in social care and the extra burdens on the Local Authorities who deliver it, the Spending Review offers a £3.5 billion package of support to ensure councils are able to support some of their older and most vulnerable residents.

We will also be giving councils new financial freedom to help them do this, by giving them the flexibility to use the receipts from the sale of land and buildings to help pay the upfront investment in the transformation of local services, to ensure further savings.

Ms,

David