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Dear Chief Executive/Chief Fire Officer,

COUNCIL TAX FREEZE

Following the Spending Review, the Secretary of State has confirmed that the Government intends to work with local authorities in England to meet its commitment to deliver a council tax freeze in 2011-12. I am now in a position to write to you with details of the terms under which the scheme will operate. The key principles will be as follows:

- a. The scheme will be voluntary; and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities) rather than to each council tax bill issued. Local precepting authorities, such as town and parish councils, will not be included in the scheme.
- b. For an authority, other than those referred to in paragraphs c and d below, if the authority sets its basic amount of council tax¹ for 2011-12 at a level which is no more than its basic amount of council tax for 2010-11, it will be eligible to receive a grant equivalent to a 2.5% increase in its 2010-11 basic amount of council tax *multiplied* by the authority's tax base for 2011-12 (rounded to the nearest pound).
- c. For the Greater London Authority ('GLA'), if the amount calculated by the GLA under section 89(3) of the Greater London Authority Act 1999 ('the GLA Act') for 2011-12 is no more than the same amount calculated by the GLA for 2010-11², the GLA will be eligible to receive a grant calculated in two parts (the aggregate rounded to the nearest pound)³:

¹ In this context 'basic amount of council tax' means the amount set by an authority under section 33(1) (if the authority is a billing authority) or 44(1) (if the authority is a major precepting authority) of the Local Government Finance Act 1992, but ignoring any local precepts issued to or anticipated by a billing authority.

² The amount calculated under section 89(3) of the GLA Act for a financial year can be found in line 15, column 3 of the BR3 form completed for that year.

³ By reference to the BR3 form, this is a 2.5% increase in the amount for 2010-11 in line 14, column 1 *multiplied* by the amount for 2011-12 in line 13, column 1; *plus* a 2.5% increase in the amount for 2010-11 in line 14 column 2 *multiplied* by the amount for 2011-12 in line 13, column 2.

- a 2.5% increase in the amount calculated by the Authority under section 88(2) of the GLA Act for 2010-11 *multiplied* by the tax base for the whole of the GLA's area for 2011-12; *plus*
 - a 2.5% increase in the amount calculated under section 89(4) of the GLA Act for 2010-11 *multiplied* by the tax base for the metropolitan police district for 2011-12.
- d. For a local authority which was restructured in 2009 and which calculated its basic amounts of council tax for 2010-11 under Part 4 of the Local Government (Structural Changes) (Finance) Regulations 2008 (SI 2008/3022) ('the 2008 Regulations'), if the average basic amount of council tax for the whole authority for 2011-12 is no more than the same amount calculated for 2010-11⁴, the authority will be eligible to receive a grant equivalent to a 2.5% increase in its 2010-11 average basic amount of council tax for the whole authority *multiplied* by the authority's tax base for 2011-12 (rounded to the nearest pound).
 - e. The police authorities of Greater Manchester and Nottinghamshire that are subject to capping in advance for 2011-12, will be able to take part in the scheme. Decisions on how the Government proposes to proceed in relation to these authorities will be announced at the same time as the provisional Local Government Finance Settlement.
 - f. Confirmation that an authority has set its basic amount of council tax for 2011-12 at a level which meets the terms of the scheme will be provided on the usual Budget Requirement (BR form) returned to this department by 8 March for major precepting authorities and 18 March for billing authorities.
 - g. An unringfenced grant in support of the scheme will be paid to each eligible billing and major precepting authority based on the formulae described in paragraphs b to d above. Payments to authorities will be made through the grant-making powers in section 31 of the Local Government Act 2003 ('section 31') and by instalments over the period April 2011 to January 2012 to mirror authorities' usual monthly income stream from council tax receipts.
 - h. The Spending Review has concluded that funding can only be provided to support a council tax freeze for 2011-12. However, the Government intends to provide supplementary funding to local authorities in subsequent years of the Spending Review via specific section 31 grants to compensate them for the council tax income foregone during the period of the freeze.

If you require any further information regarding the contents of this letter please do not hesitate to e-mail: counciltax.consultations@communities.gsi.gov.uk; or contact David Kelly at this address, or on telephone 0303 444 2099.

⁴ In this context 'average basic amount of council tax for the whole authority' means the amount calculated under section 33(1) of the Local Government Finance Act 1992, or the amount calculated under that section as modified by the 2008 Regulations (as the case may be), but in either case ignoring any local precepts issued to or anticipated by the authority. As the 2008 Regulations require that some equalisation occurs each year until a single level of council tax is achieved across the whole of an authority's area, this could result in an increase in the council tax payable in some parts of the authority's area.

I am copying this letter to chief finance officers, the Welsh Assembly Government, the Chair of the Local Government Association, the Chair of the Association of Police Authorities, the President of the Chief Fire Officers' Association, the Chair of the Chartered Institute of Public Finance and Accountancy and other representatives bodies such as those that cover parish councils.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'M Rickard'.

Mark Rickard
Divisional Manager, Council Tax
Local Government Finance