



Department for Communities and Local Government

Brandon Lewis MP
Parliamentary Under Secretary of State

***Department for Communities and Local
Government***

Eland House
Bressenden Place
London SW1E 5DU

Tel: 0303 444 3430
Fax: 0303 444 3986
E-Mail: brandon.lewis@communities.gsi.gov.uk

www.communities.gov.uk

Council Leaders of English
Local Authorities

Council Tax Levels in 2013-14

I am writing to you ahead of the budget debates that you will be having in the next few weeks

The Council Tax Freeze Scheme

As you are aware, the Coalition Government is making up to £450 million of funding available to English local authorities that freeze or reduce their basic amount of council tax in 2013-14. This comprises £225million in both financial years 2013-14 and 2014-15. We are making this offer as we want to offer real help to hard-pressed families with their cost of living. Council tax bills are already £1,444 a year on an average Band D bill: this is £120 a month from people's post-tax pay packet or pension.

From the moment it took office, the Government has been clear about its wish to protect council tax levels, and has worked to do this in partnership with local authorities. Council tax in England more than doubled between 1997 and 2010, placing an ever-increasing burden on the council tax payer. These are challenging economic times and - like all parts of the public sector - local authorities have tough decisions to make about priorities. This includes the recourse they have to council tax payers.

Over the last two years, the Government provided grants of around £2 billion to help freeze council tax. In 2011-12 all eligible authorities took up the freeze and will receive an annual grant from Government for the remainder of the spending review period. In 2012-13 90% of eligible authorities froze their council tax and received a one-off grant. Council tax payers across England appreciated the respite that the freezes gave them.

The Secretary of State has indicated that authorities which freeze or reduce their Band D council tax in 2013-14 will receive a grant equivalent to a 1% increase on 2012-13 Band D council tax levels. This will provide real help with the cost of living and will represent a real terms council tax cut of around 2.5% in 2013-14.¹ The cumulative effect of the three council tax freezes is potentially worth over £200 per year to residents in Band D homes.

I am very pleased to note that around a third of all eligible councils have already publicly signaled that they intend to freeze their council tax for 2013-14. I would strongly encourage all councils to sign up in response to the Government's offer. I appreciate that savings may

¹ Compared with RPI inflation

also have to be made to help achieve a freeze – but this is also an opportunity for councils to continue their programme of reform and innovation, and to lower their spending base permanently , whilst protecting hard-working families and those on fixed incomes in their area.

Council Tax Referendums

You will be aware that the government is prepared to facilitate action where authorities choose to burden tax payers with excessive increases. On 19 December 2012, the Secretary of State proposed a council tax referendum principle of 2%, with some low taxing Shire District Councils, Fire and Rescue Authorities and Police & Crime Commissioners given additional flexibility to set a £5 increase.

Having taken account of representations, the final principles report will be put to the House of Commons for approval alongside the final local government finance report in February. If an authority raises its relevant basic amount of council tax by more than the level of the principles, the local electorate will have a right to approve or veto this increase in a binding referendum.

Levy increases

Finally. I am concerned by reports that a small number of councils may be considering rejecting the freeze and – via an increase in levies - setting substantial increases in their overall Band D council tax without holding a referendum. Such increases would rightly be of considerable concern to council tax payers. I would like to remind such councils that the Secretary of State proposes referendum principles annually, taking into account the circumstances at that time. Although clearly no decisions have yet been taken in respect of principles for 2014-15 the Secretary of State has discretion to propose different principles for different categories of authority and to take into account authorities' council tax decisions in 2013-14.

I would be grateful if you could pass this letter on to your elected members ahead of them exercising their democratic duty in determining this year's council tax bills. I am also copying this to your local Member(s) of Parliament.

Yours faithfully

BRANDON LEWIS MP