



The Rt Hon John Healey MP
Minister for Local Government

**Department for Communities and Local
Government**

Eland House
Bressenden Place
London SW1E 5DU

Tel: 020 7944 3012
Fax: 020 7944 4489
E-Mail: john.healey@communities.gsi.gov.uk

www.communities.gov.uk

Local Authority Leaders (inc. police and fire
authorities)

Directly elected Mayors

Lord Mayor of the Corporation of the City of
London

9th December 2008

Council Tax in 2009-10

As you know, I announced the provisional local government finance settlement for 2009-10, which is the second year of the current three-year settlement, to the House of Commons on 26 November. I attach a copy of my statement to the House.

The provisional settlement for 2009-10 is in line with the three-year settlement I announced last year. Formula grant, which includes revenue support grant, redistributed business rates and police grant, will total £28.3 billion in 2009-10 and £29 billion in 2010-11 – increases of 2.8 per cent. and 2.6 per cent respectively. We will also continue with grant floors at the level that we indicated last year would apply for 2009-10, so every authority will receive a formula grant increase in every year of this three-year settlement. In total, Government revenue funding for local authority services will be £73.1 billion in 2009-10 and £76.4 billion in 2010-11, which amounts to grant increases of 4.2 per cent. and 4.4 per cent.

As I said in the House, this is a tight settlement, but it is fair and affordable – and it continues our increasing investment in council services. It maintains the certainty, flexibility and equity that local government says it wants from central Government.

The Government expects the average council tax increase in England to be substantially below 5% in 2009-10 and we will not hesitate to use our capping powers as necessary to protect council taxpayers from excessive increases, including requiring authorities to rebill if that proves necessary. This message applies to all classes of authority – including police and fire authorities.

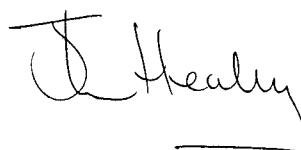
I have announced that we are continuing with the capping action taken against the police authorities of Cheshire, Leicestershire and Warwickshire in 2008-09 by proposing maximum budget requirements for these authorities in 2009-10 that will limit their council tax increases to around 3 per cent.

No other decisions about capping in 2009-10 have been taken but it would be unwise for any authority to assume that the capping principles set in previous years will be repeated.

As in previous years, we intend to take decisions on capping principles after authorities have set their budgets, but we are prepared to announce the principles in advance if the circumstances suggest this is necessary.

The Government published on 26 November a draft *Limitation of Council Tax and Precepts (Alternative Notional Amounts) Report* alongside the draft 2009-10 local government finance settlement. This sets out notional budget requirements for the nine new unitary authorities that are being established in April 2009. Officials from this department are writing separately to these authorities to inform them of how capping could be applied in their case.

As last year, I do not propose to send any further reminders about the risks of capping . The decisions are yours and the Government has now set out clearly the context in which you must take these decisions.

A handwritten signature in cursive script, appearing to read 'J Healey', with a horizontal line underneath.

JOHN HEALEY MP