

## DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

### Local Government Finance

**The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Brandon Lewis):** Over the last two years, the Coalition Government was worked with councils to help freeze council tax bills for hard-working families and pensioners and this has seen council tax bills in England fall by 4.4 per cent in real terms. Under the last Administration, Band D council tax bills rose by £751 (+109 per cent) across England as a whole.

The Government is setting aside an extra £450 million over the next two years to help local government in England to freeze their council tax in 2013-14, which will be the third successive year in which a freeze scheme applies. The cumulative impact of three years' worth of council tax freezes represents up to £227 off the council tax bills of an average Band D home.

I am now setting out the provisions for the new scheme that we are offering local authorities, fire and rescue authorities and Police and Crime Commissioners which freeze or reduce their council tax bills.

Authorities and Police and Crime Commissioners which do not increase their basic amount of council tax in 2013-14 will receive a grant equivalent to the revenue they would have generated by increasing their basic amount of council tax by one per cent. The amount an authority will receive will be equivalent to one per cent of its 2012-13 average Band D amount multiplied by a council tax base for 2013-14 which does not take into account reductions given to those receiving council tax support. This will put the calculation for the freeze grant on a consistent basis to previous years' grants.

The grant will be paid in each of the financial years 2013-14 and 2014-15, amounting to some £225 million of funding in each year, and will be paid in instalments to mirror council tax receipts. Payments will be made using the grant-making powers provided by section 31 of the Local Government Act 2003. Payments will be made in 10 instalments per financial year from April 2013. As in previous years, local precepting authorities are not eligible for the scheme.

To help local government with budget planning, the Government will publish on its website an estimate of the council tax freeze grant each participating authority and Police and Crime Commissioner will receive. Grants will be finalised once authorities have reported on their council tax decisions, which they are required to do by March 2013.

I would hope and anticipate that most authorities and Police and Crime Commissioners will choose to take up the grant offer and freeze their element of the council tax. In doing so, they will be providing real help to families and those on fixed incomes, such as pensioners, with their cost of living.

However, for those bodies who choose not to protect families and pensioners and want to increase their council tax, the Government is proposing trigger points for council tax referendums so that any excessive increases in 2013-14 are put to the local electorate

for approval. The Secretary of State has today proposed that a two per cent referendum principle will apply for all principal local authorities, Police and Crime Commissioners and fire and rescue authorities. This would mean that if an authority wished to raise their relevant basic amount of council tax in 2013-14 by more than two per cent, their local electorate will have the opportunity to approve or veto the increase in a binding referendum.

The exception to this excessiveness principle will be Shire Districts, Police and Crime Commissioners and fire and rescue authorities whose 2012-13 council tax was in the lower quartile of their category of authority. In the case of these authorities, a referendum must only be held where the authority increases its relevant basic amount of council tax for 2013-14 by more than 2 per cent, and there is a cash increase that is more than £5 in the relevant basic amount.

The Secretary of State does not propose to determine principles for local precepting authorities for 2013-14. However, he intends to revisit this issue next year, having considered the extent to which local precepting authorities have exercised restraint in relation to council tax this year.

The Secretary of State is also consulting on Alternative Notional Amount figures in respect of 2012-13 which a number of local authorities must use when determining whether the increase in their relevant basic amount of council tax in 2013-14 is excessive. These are required to reflect changes brought about by the localisation of council tax support. A copy of these amounts has been placed in the Library of the House.

Having considered any representations, the Secretary of State will put the final principles and final Alternative Notional Amount report before the House of Commons for approval alongside the Local Government Finance Report early in 2013.

My officials are today writing to all local authorities, fire and rescue authorities and Police and Crime Commissioners with more details of how the council tax freeze scheme will operate.

The council tax freeze offer applies to England, however, Barnett consequential funding has also been provided to devolved institutions: and their electorates will rightly want to hold the devolved representatives to account if they do not offer a council tax freeze to local taxpayers.