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Local Authority Leaders (inc. police and fire authorities)

Directly elected Mayors

Lord Mayor of the Corporation of the City of London

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## **Council Tax Capping 2010-11**

As you know, I announced the provisional local government finance settlement for 2010-11 in a written statement to the House of Commons on November 26<sup>th</sup> this year.

The provisional settlement for 2010-11 is in line with the previously announced three-year local government finance settlement. In the 2010-11 settlement, formula grant - which includes revenue support grant, redistributed business rates and police grant - will total £29 billion. This represents an increase of 2.6 per cent, on a like for like basis, on the 2009-10 settlement. Grant floors in the 2010-11 settlement will remain at the levels indicated last year.

This, I am glad to say, means that every authority will have received a formula grant increase on a like for like basis in every year of this, the first ever, three-year settlement. Total Government funding for local services is £76 billion in 2010-11 and this represents an increase of 4 per cent on the 2009-10 settlement.

As I said in my statement to the House of Commons, I am pleased that the average Band D council tax increase this year was 3 per cent. The Government anticipates this amount to fall further in 2010-11 whilst authorities protect and improve front line services. In fact, we expect the average Band D council tax increase in England to achieve a 16 year low in 2010-11. The Government remains prepared to take capping action against excessive increases by authorities and to require them to rebill households for a lower council tax if necessary.

As I announced in my statement, the Government has instituted capping action against the police authorities of Cheshire, Leicestershire and Warwickshire in advance of the 2010-11 settlement as a result of previous, excessive, increases set by them. No other decisions on capping in 2010-11 have been taken. These will, as in previous years, be taken after authorities have set their 2010-11 budgets. Capping principles have always been determined on a year by year basis to take into account current economic and social circumstances and this will again be the case in relation to 2010-11.

It would, therefore, be a mistake for any authority to assume that previous years' capping principles will apply to 2010-11. I have made it very clear that the Government expects the average Band D council tax percentage increase to reach a 16 year low in this period. I have also indicated that we will take capping action against any excessive increases and I do not propose to send any further written warnings about the risks involved.

I realise that decisions on council tax increases in 2010-11 are a matter for each individual authority, but the Government has clearly set out the context in which these must be taken.

A handwritten signature in black ink, reading "Barbara Follett". The signature is written in a cursive, flowing style.

**BARBARA FOLLETT MP**