

Third year of Council tax freeze announced

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The Chancellor of the Exchequer has today announced new support for local authorities in England to help them freeze council tax for a further year and assist in keeping those bills down.

The Government will set aside an extra £450 million to help freeze council tax bills in England. The support for local authorities means that taxpayers living in an average Band D home in England could save up to £72 on a five per cent rise in council tax.

Over the last two years the Government has provided grants of around £2billion to help freeze council tax. A freeze in council tax in 2013-14 would represent a real terms cut of around two per cent and a fall of nine per cent in real terms over the past three years.

Local Government Secretary Eric Pickles said:

"The Coalition Government's council tax freeze has cut council tax in real terms over the last two years. A third-year's freeze will mean the combined effect is potentially worth over £200 to Band D residents. Freezing bills again will really help hard working families and those on fixed incomes, such as pensioners with their cost of living."

The £450million will be made available, through a new grant scheme, to local authorities who decide to freeze or reduce their council tax next year. If they do, councils, police and fire authorities will stand to receive £225million of funding in both financial years 2013-14 and 2014-15, equivalent to raising their 2012-13 council tax by one per cent.

In addition, in 2013-14 the Government will propose to lower the local authority tax referendum threshold to two per cent. This would mean if a local authority seeks to raise its relevant basic amount of council tax by more than two per cent, local people would have the right to keep council tax bills down through a binding referendum veto. The Secretary of State for Communities and Local Government will formally set out the detail on this in December.

Notes for Editors

1. A freeze in council tax this year will save families £72 compared to a five per cent rise, on top of the savings already made in 2011-12 and 2012-13. A freeze in 2013-14 represents a real terms cut of around two per cent, compared to latest inflation forecasts.

2. The Department for Communities and Local Government will shortly write to all English local authorities with full details of the scheme, including providing an indicative breakdown of estimated grants to help local authorities with budget planning.

3. The detail on the tax referendum thresholds will be formally set out by the Secretary of State for Communities and Local Government alongside the provisional Local Government Finance Settlement in December. The House of Commons will be asked to endorse the threshold levels before councils set their annual budgets in the spring.

4. The council tax freeze offer will apply separately to each billing and major precepting authority in England (rather than to each council tax bill issued). Billing authorities include shire districts, metropolitan districts, London Boroughs and unitary authorities and major precepting authorities include county councils, fire and rescue authorities, police authorities and the Greater London Authority.

5. If an authority sets its basic amount of council tax (i.e. its Band D council tax) in 2013-14 at a level which is no more than its basic amount of council tax in 2012-13, it will receive a grant equivalent to a one per cent increase on the 2012-13 figure in both financial years 2013-14 and 2014-15. Police, Crime Commissioners and fire authorities will also receive a grant equivalent to one per cent of their 2012-13 basic amount of council tax.

6. An unringfenced grant in support of the scheme will be paid to each eligible billing and major precepting authority based on the formula. Payments to authorities will be made through the grant-making powers in section 31 of the Local Government Act 2003.

7. Local authorities who wish to reduce their council tax in absolute cash terms are still also eligible to receive the grant. Local authorities who choose to increase their council tax will not be eligible for the grant scheme.

8. Since the Spending Review we have made available £1975million of funding to local authorities to freeze their council tax in 2011-12 and again in 2012-13. In 2011-12 every local authority in England took up the scheme, and council tax in England was frozen. In 2012-13 Government offered to help local authorities in England freeze their council tax again and 85 per cent of local authorities accepted. This limited increases in council tax across England to 0.3 per cent, the lowest increase since council tax was introduced.

9. Average Band D council tax and percentage change between 1993-94 and 2012-13 are shown below:

Band D council tax	£	Percentage change
1993-94	568	
1994-95	580	2.1
1995-96	609	5.0
1996-97	646	6.1
1997-98	688	6.5
1998-99	747	8.6
1999-00	798	6.8
2000-01	847	6.1
2001-02	901	6.4
2002-03	976	8.2
2003-04	1102	12.9
2004-05	1167	5.9
2005-06	1214	4.1
2006-07	1268	4.5
2007-08	1321	4.2
2008-09	1373	3.9
2009-10	1414	3.0
2010-11	1439	1.8
2011-12	1439	0.0
2012-13	1444	0.3

10. Devolved Administrations will receive £43million of Barnett consequentials in both 2013-14 and 2014-15.