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Directly Elected Mayors

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Lord Mayor of the Corporation of the City of London

17th December 2007

Council Tax in 2008-09

As you know, I announced the provisional local government finance settlement for 2008/09 to the House of Commons on 6 December. I attach a copy of my statement to the House.

I have set out the Government's proposals for the first ever three year settlement. This comprises allocations of the formula grant and 61 specific grants from 8 departments, including the new Working Neighbourhoods Fund which replaces the Neighbourhood Renewal Fund. This is set alongside a radically slimmed down performance framework which means that councils now have greater flexibility to budget and plan ahead, and make their own decisions about spending priorities.

My announcement confirmed 13 years of above inflation increases in funding for local government, which by 2010/11 will be 45% higher in real terms than in 1997. Local authorities will receive £70.4bn in 2008-09, £73.5bn in 2009-10, and £76.7bn in 2010-11. This amounts to increases of 4.0%, 4.4% and 4.3% respectively.

The Government expects the average council tax increase in England to be substantially below 5% in 2008/09. I made it clear to the House that we will not hesitate to use our capping powers as necessary to protect council taxpayers from excessive increases. This applies to all authorities - including police and fire authorities.

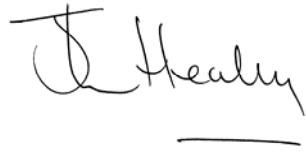
No decisions have been taken on capping principles for 2008/09. It would, however, be unwise for any authority to assume that capping principles set in previous years will be repeated. We intend to take decisions on principles after authorities have set their budgets, but we are prepared to announce the principles in advance if the circumstances suggest this is necessary.

The onus now is on all authorities to demonstrate leadership and to deliver top quality, efficient services for their citizens. Authorities should be capable of innovating, managing change and improving efficiency without having a disproportionate impact on their council taxpayers.

As I said in the House, this is a tight settlement but a fair and affordable one. It delivers the certainty, flexibility, equity and stability that local government told us it wanted. With

the additional funding, efficiency gains and flexibilities we have provided local government, there can be no excuse for excessive council tax increases.

In previous years Ministers have written a reminder about the risks of capping to individual authorities which, on the basis of public information, appear to be heading for high council tax increases. I do not intend to do that this year. The decisions are yours and the Government has set out very clearly the context in which you must make those decisions.

A handwritten signature in black ink, reading "J Healey", with a horizontal line underneath. The signature is enclosed in a thin red rectangular border.

JOHN HEALEY MP