

Agenda Item

Executive Board

1 September 2010

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Local referendums to veto excessive council tax increases – consultation paper

Summary

The Department for Communities and Local Government have issued a consultation paper on “Local referendums to veto excessive council tax increases” as an alternative to capping by central government.

The consultation period runs from 30 July to 10 September and seeks views on the practicality and technical feasibility of the scheme, particularly from local authority practitioners. It is considered appropriate to highlight this paper to members of the Executive Board and seek any specific comments councillors may wish the Head of Finance to include in the Council’s response.

The Government will take into account the responses to the consultation in its preparation of draft clauses for the forthcoming Localism Bill, to be laid before Parliament in the first Parliament session.

As the consultation paper is a short document and only covers the one topic the full paper is attached.

There are 11 questions which the consultation paper is looking for response on and these are detailed on page 12 of the document, should members have any specific responses that relate to these or other issues it would be useful for these to be minuted. The final response it is suggested is agreed with the Portfolio Holder for Resources.

There are issues on the administration, timing and some technical areas of the proposals we would wish to comment on and in particular an area that remains as with the previous capping regime is in setting the principles it seems one of the key elements suggested is to determine unacceptable increases based on a comparison of an authority’s level of council tax with the level the previous year. This principle can penalise low council tax setting authorities who have a low base to measure the increase against rather than looking at the overall level of council compared to a national level, i.e. East Devon could raise its tax higher than the stated maximum, fall foul to the rules but still be prosing one of the lowest council taxes in the country!

It may also be useful for members to be aware of the following approximate costs:

- Referendum district wide £100,000
- Referendum say in just Exmouth £9,000

- If the referendum comes back with a “no” vote there will be council tax re-billing issue which is labour intensive and can require software changes, previous experience of authorities who have had to re-bill even for a small authority can cost over £100,000 for a district.

Recommendation

That members consider any specific comments they wish to be included in the Council’s response to the consultation paper which will be finalised by the Head of Finance in agreement with the Portfolio Holder for Resources.

a) Reasons for Recommendation

There are issues for the Council to comment on within the consultation proposal and are from a practitioners point of view as requested in the paper, however it is considered appropriate to include any specific comments that members may wish to add.

b) Alternative Options

None considered

c) Risk Considerations

These are comments on a consultation paper which if introduced could have a number of associated risks ranging from additional costs and administration to public relation issues.

d) Policy and Budgetary Considerations

The proposals are lacking in some detail but as they stand it would be a brave authority that would risk going to a referendum which would be expensive and, administratively, difficult process to be carried out in short timescale and given the question to be asked will be defined in legislation, no lobbying by the authority allowed, and no there will be no minimum turnout, it is hard to see any authority would feel that they have a chance of receiving a “yes” vote in favour of an “excessive” increase.

e) Date for Review of Decision

Not applicable

Legal Implications

The present system to ‘cap’ a local authority’s budget depends on the Secretary of State for Communities and Local Government first deciding an authority’s budget requirement is excessive, in accordance with a published set of principles. This leads to retrospective ‘capping’ decisions after budgets are set, and to a ‘capped’ authority bearing the cost of rebilling a lower council tax. The government has identified this retrospective process as a matter of concern.

Under the consultation proposals, the principles for 'excessive' council tax rises will be published in advance but the legal framework would be changed so any authority planning an excessive council tax increase will be required to prepare a 'shadow budget' based on the maximum non-excessive council tax increase allowed by the principles. The council will also be required to inform the Secretary of State by notice. The referendum which would follow, and is referred to in the body of the report would need to be held by early May. The government also intends to tackle what it sees as excessive precepting by some parish councils by including them in the referendum machinery.

Financial Implications

Details contained in the report

Consultation on Reports to the Executive

Not applicable

Background Papers

- Local referendums to veto excessive council tax increases – consultation paper

Simon Davey
Head of Finance

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