



Report to Cabinet

Subject: Government Consultation on local referendums to veto excessive Council Tax increases

Date: 2 September 2010

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1. PURPOSE OF THE REPORT

- To inform members of consultation from the Department for Communities and Local Government (CLG) on the above issue
- To seek members' agreement for the proposed response to that consultation, appended to this report.

2. BACKGROUND

In its Decentralisation and Localism Bill, included in the Queen's Speech (as reported to Cabinet 8 July 2010), the Coalition Government indicated its intention to give "residents the power to instigate local referendums on any local issue and the power to veto excessive council tax increases".

CLG published a consultation paper on proposals for local referendums to veto excessive Council Tax increases on 30 July 2010. The consultation is essentially a technical one, seeking views from practitioners on the practicalities of holding such referendums. The deadline for responses to the consultation is 10 September 2010.

The key elements of the proposals are set out below – the full document can be accessed at <http://www.communities.gov.uk/publications/localgovernment/vetocounciltaxincreasesconsult>

3. PROPOSAL

The consultation indicates that legislation will be introduced under which: -

- The Secretary of State will set out each year principles comparing the council tax level in current and previous years for different types of authority, for House of Commons approval
- Any billing authority, local precepting authority or major precepting authority intending to exceed these principles in setting its Council Tax for the following year will be required to inform the Secretary of State of that intention; to prepare a “shadow budget” at no more than the level of the maxim non-excessive council tax increase allowed by the principles; and to hold a referendum of all registered electors in the area on the issue
- The referendum should be held at any time after the House of Commons has agreed the principles, but no later than the first Thursday in May
- The referendum, modelled on existing arrangements for mayoral referendums, should be organised and administered by the billing authorities. The billing authority would be able to recoup its costs where referendums are held on behalf of a precepting authority
- The authority proposing the excessive increase would be required to prepare supporting factual information setting out its
 - proposed Council Tax increase and budget ,
 - the comparative non-excessive Council Tax increase and budget;
 - the cost of the referendum, to be sent by that authority to all registered electors in the area with polling cards at the same time as Council Tax bills are sent out

If the proposed Council Tax rise were to be rejected, the shadow budget would apply and the billing authority would either rebill, refund or allow credits against future bills to all households affected. Transfers from the Collection Fund would be reduced accordingly.

Referendums could be held on the same day as any local elections taking place during the year but do not have to be. There will be no minimum turnout required and simple majority would decide the issue. There would only ever be one referendum in each area, but if more than one authority chose to invoke a referendum, there would be separate votes for each element of the overall Council Tax bill.

The consultation paper also sets out the government's intention to abolish current Council Tax capping powers by repealing Chapter 4A of the Local Government Act 1992. It does however signal its intention to reserve the option to use existing capping powers until provisions for Council Tax referendums are in place.

I have discussed the issue with the Head of Corporate Services, the Head of Democratic and Community Services and with relevant senior Cabinet members and, as a result, suggest a response to the consultation as attached at **Appendix A**.

4. RESOURCE IMPLICATIONS

The decision on the level of Council Tax set remains of key importance to the overall resource available to the Council. The proposed legislation theoretically gives members greater discretion with regard to setting Council Tax increases in future, though the cost and complexity involved in organising a referendum on a higher increase may of itself act as a discouragement to proposing an "excessive" increase.

In practical terms, holding a referendum is likely to be expensive. A Borough wide, stand alone referendum would be likely to cost in excess of £70,000 although a combined election would be proportionately less expensive. It will fall to the Borough Council to arrange if it or any of the bodies precepting upon it choose to invoke a referendum by proposing an "excessive" increase. It will therefore be important for any legislation to make clear that the full costs of organising a referendum, and any associated costs such as re-billing, are reimbursed to the billing authority by the precepting authority and this point in particular is stressed in the proposed consultation response.

5. RECOMMENDATION

Members are recommended to agree the proposed response to this consultation as attached at **Appendix A**.