

**Subject:** Government consultation on local referendums to veto excessive council tax increases

**Date of Meeting:** 28 September 2010

**Report of:** Acting Director of Strategy and Governance

**Contact Officer:** Name: Oliver Dixon Tel: 29-1512  
E-mail: oliver.dixon@brighton-hove.gov.uk

**Wards Affected:** All

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Department for Communities and Local Government (DCLG) intends to introduce legislation allowing local referendums to veto excessive council tax increases as an alternative to capping by central government.
- 1.2 In July 2010, DCLG issued a consultation document (reproduced at Appendix 1) to all local authorities, seeking views on the practicality and technical feasibility of the scheme.
- 1.3 This report summarises the background to the consultation and includes at Appendix 2 the council's response, which is brought to the Governance Committee for information.

#### 2. RECOMMENDATION:

- 2.1 That Members note the report and the council's response to the DCLG consultation.

#### 3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The Coalition *Programme for Government*, published in May 2010, stated that the Government would "give residents the power to veto high council tax increases." In place of the capping regime currently in place, the Government will introduce legislation requiring any billing or precepting authority which sets an excessive council tax increase to hold a referendum.
- 3.2 The Government intends to include this provision in the Localism Bill, scheduled for introduction to Parliament in November this year.
- 3.3 On 30 July 2010, DCLG invited local authorities to respond to consultation not about whether this legislation should be introduced, for this is Government policy, but on the logistics of conducting a local referendum. The consultation thus

focuses on the timing and operational arrangements for carrying out a referendum of this type. Given the technical nature of the consultation, the timescale for responding was shorter than normal, at just six weeks, and officers ensured a council response was submitted by the 10 September deadline.

3.4 In brief, the proposed legislation will provide as follows:

- (a) The Secretary of State will have the power each year to determine a 'principle' based on a comparison of an authority's level of council tax with the level in the previous year.
- (b) Any authority planning a council tax increase which exceeds this principle will be required to prepare a 'shadow budget' based on the maximum non-excessive council tax increase allowed by the principle.
- (c) The authority must then hold a referendum of all registered local electors, asking whether they accept or reject the proposed council tax increase. The referendum must take place by the first Thursday in May of the financial year to which the proposed council tax applies.
- (d) If the proposed rise is rejected, the authority would immediately adopt the shadow budget and make arrangements to refund or allow credit for any over-payment.

A full description of the intended process is set out in paragraph 9 of the consultation

3.5 There are occasions when authorities set council tax increases that are very large when expressed in percentage terms, even though the absolute cash increase is very small. To prevent such authorities from being required to hold a referendum – and to protect the large majority of smaller parish councils and other local precepting authorities – the Government intends to include a standard *de minimis* principle which would provide a 'double lock' mechanism. This would exclude authorities where either (a) the increase in the basic amount of council tax is below a defined amount or (b) the total income generated (ie. the council tax requirement) is below a fixed level.

3.6 At Annex A in the consultation paper there is an illustrative timetable of the referendum process.

3.7 Questions for consultation are on page 12 of the paper and all relate to the mechanics of the process, with particular regard to the practicalities of operating the referendum and any unforeseen implications the proposed system may pose.

## 4. CONSULTATION

4.1 Officers consulted the Administration over the council's proposed response

## 5. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 5.1 There are no direct financial implications arising from this report. If a referendum had to be held, it would need to be funded by the authority / authorities that triggered the need for a referendum. The cost of holding a referendum on its own is forecast to be £300,000. Further financial considerations are addressed in the council's responses to questions 7-9 of the consultation (see Appendix 2)

*Finance Officer Consulted: Heather Bentley* *Date: 14/09/10*

### Legal Implications:

- 5.2 The Government intends to use the existing regulations for mayoral referendums as the basis on which billing authorities will organise and administer referendums about council tax rises. The council's response to question 2 of the consultation deals with the suitability of these regulations and the need for sufficient notice of any amendments.
- 5.3 The council's lawyers will track the passage of the Localism Bill through Parliament, once introduced, and will brief Members further on the Bill contents and legislative progress.

*Lawyer Consulted: Oliver Dixon* *Date: 14/09/10*

### Equalities Implications:

- 5.34 None arising directly from this report

### Sustainability Implications:

- 5.5 None arising directly from this report

### Crime & Disorder Implications:

- 5.6 None arising directly from this report

### Risk and Opportunity Management Implications:

- 5.7 The council's responses to questions 3 and 6 of the consultation discuss certain difficulties that could arise over the timing of a referendum. However, a referendum does present council tax payers with an opportunity to register their approval or rejection of the proposed increase.

### Corporate / Citywide Implications:

- 5.8 None arising directly from this report

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. DCLG consultation document 'Local referendums to veto excessive council tax increases'
2. Brighton & Hove City Council response to the consultation

### **Documents In Members' Rooms**

None

### **Background Documents**

None