

Council Tax Referendums and Levying Bodies

Purpose of report

For information.

Summary

This report summarises a potential legislative change on bringing levies into the definitions used for council tax referendum purposes which may be included in the Queen's Speech on 8 May 2013.

Recommendation

That Members agree to receive further reports as the measure progresses through Parliament.

Action

Officers to continue to liaise with Department for Communities and Local Government officials and to report back to the Panel.

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Background

1. The current law on council tax referendums was enacted through the 2011 Localism Act. It provides, in short, that if a council or major preceptor (such as a county, fire authority or local policing body) agrees a council tax increase above a limit set by the Secretary of State then they have to hold a referendum to agree it.
2. The law came into being in time for 2012-13 budgets to be set. Different principles were set in 2012-13 and in 2013-14. So far no council or major precepting body has triggered a referendum.
3. In the light of the experience in 2013, the Government has signalled that they intend to change the law in one important respect. A written ministerial statement on 30 January 2013 set out the Government's intention to include levying bodies within the definition of the council tax increase used for referendum comparisons. The statement said that this would be more transparent as it would increase the accountability of unelected levying bodies.
4. Officers understand from the Department for Communities and Local Government (DCLG) officials that there is likely to be an announcement at around the same time as the Queen's Speech, on May 8. Any updates will be given verbally to the Panel meeting.
5. The change will affect, for example, transport, waste and internal drainage bodies all of which are financed in whole or in part by a levy on council tax. The fact that these were outside the definition used in 2013 meant that a council tax increase including levies higher than the referendum limit could be set without triggering a referendum limit because levies did not count for referendum purposes.

Issues

6. LGA officers, together with officers from London Councils and Treasurers' Societies have been discussing the change with DCLG officials. We have been encouraging them to consult on the change more widely, particularly as we understand there are mixed views in local government on the desirability of including levying bodies in the calculation.
7. There is also an issue as to the extent to which councils themselves are able to change levies or if they are passed through to them with little opportunity to change them (such is the case, for example, for the Environment Agency) and the extent to which levy increases may follow on changes which fit in with broader ministerial priorities (such as the City Deal in Greater Manchester).
8. We understand from DCLG officials that although Ministers are unlikely to deviate from the policy as set out in the written ministerial statement (that levying bodies should be included), they recognise that there are implementation issues relating to when councils receive information from levying bodies and how levies are distributed, (which can be on the basis of council taxbase or population), and that DCLG might look at consulting on these.

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9. It should be noted, by the way, that this legislative change does not cover local precepts – that is those set by parish and town councils. The Secretary of State already has powers to set principles to force parish and town councils to have referendums on council tax increases. However, he has not so far chosen to exercise this power.

Financial Implications

10. This is core work for the LGA and will be contained within existing budgets.