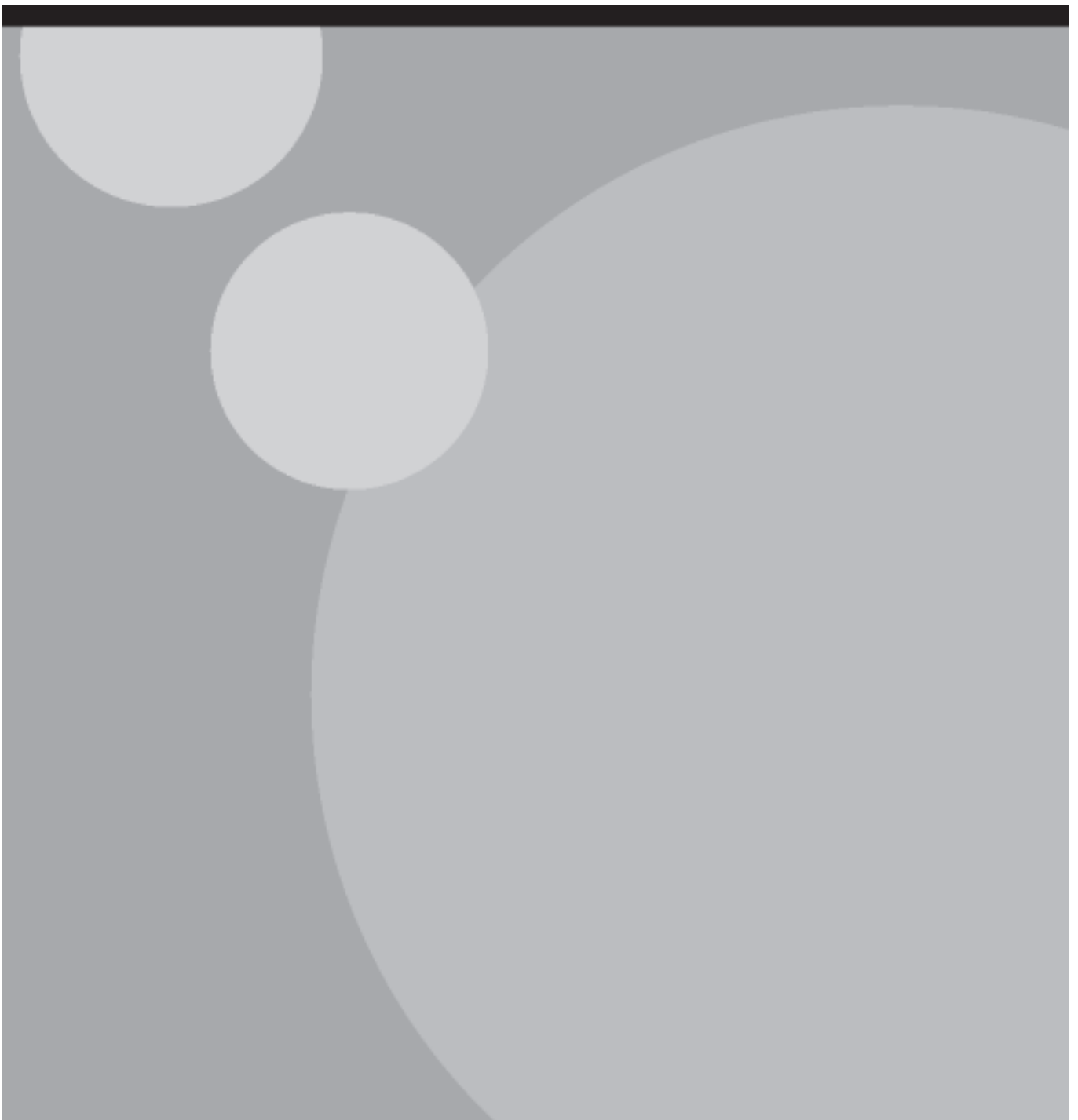




Localism Bill – Provision for referendums to veto
excessive council tax increases
Impact assessment – consultation stage





Localism Bill – Provision for referendums to veto
excessive council tax increases

Impact assessment – consultation stage

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 030 3444 0000
Website: www.communities.gov.uk

© Crown Copyright, 2010

Copyright in the typographical arrangement rests with the Crown.

This publication, excluding logos, may be reproduced free of charge in any format or medium for research, private study or for internal circulation within an organisation. This is subject to it being reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the publication specified.

Any other use of the contents of this publication would require a copyright licence. Please apply for a Click-Use Licence for core material at www.opsi.gov.uk/click-use/system/online/pLogin.asp, or by writing to the Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU

e-mail: licensing@opsi.gov.uk

If you require this publication in an alternative format please email alternativeformats@communities.gsi.gov.uk

Communities and Local Government Publications
Tel: 030 0123 1124
Fax: 030 0123 1125

Email: product@communities.gsi.gov.uk
Online via the Communities and Local Government website:
www.communities.gov.uk

August 2010

ISBN: 978 1 4098 2527 2

Title: Localism Bill - Provision for referendums to veto excessive council tax increases Lead department or agency: Communities and Local Government Other departments or agencies:	Impact Assessment (IA)
	IA No: CLG 0013
	Date: 01/07/2010
	Stage: Consultation
	Source of intervention: Domestic
	Type of measure: Primary legislation
Contact for enquiries: Robert Crangle - zone 5/D2 Eland House tel: 030 344 42097	

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

How best to protect council taxpayers in England from excessive increases set by billing authorities, local precepting authorities or major precepting authorities (including police authorities, fire and rescue authorities and the Greater London Authority). The current system gives no effective voice to local residents, instead empowering the Secretary of State to cap increases which central Government considers to be excessive. Intervention is needed to shift the power to control council tax increases away from the Government, and towards local people.

What are the policy objectives and the intended effects?

1. To ensure that excessive council tax increases occur only where they have a clear mandate from local people.
2. To abolish existing central Government capping powers.

Relevant provisions will be included in the Localism Bill. The Bill will shift power from the central state back into the hands of individuals, communities and councils. It will empower local people, giving them more power over local government and how public money is spent in their area, and ensure that councillors are accountable to them.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Option 1 - "do nothing" - i.e. maintain the capping regime, rather than introduce local referendums on excessive council tax increases.

Option 2 - introduce local referendums and abolish the capping regime. The proposals set out in the consultation paper are intended to deliver the commitment in the Coalition Programme for Government to "give residents the power to veto excessive council tax increases". Within this option, there are a number of sub-options depending on the details of what is implemented - the detail of the policy, including any legislative changes, will be determined in the light of responses received.

A full assessment of the regulatory impact of these proposals will be made as part of the overall impact assessment for the forthcoming Localism Bill. It is anticipated that the proposals would be subject to any post-legislative scrutiny of the Bill. In addition, the Government will be monitoring the impact of the scheme on levels of council tax, and the number of referendums held, and the results of those referendums.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

It will be reviewed
July 2014

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

SELECT SIGNATORY Sign-off For consultation stage impact assessments:

I have read the impact assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:..... Date:.....

Summary: Analysis and Evidence

Policy Option 1

Description: Introduce local referendums and abolish the capping regime

Costs and benefits for local authorities and council taxpayers

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		£70,000	0.5
High		£3,000,000	25.0
Best Estimate		£960,000	8.0

Description and scale of key monetised costs by 'main affected groups'

The costs of organising a referendum are in the range of £70,000-250,000. The costs to an authority of preparing a shadow budget and (if necessary) repaying council taxpayers are comparable to what they would have been under capping. These costs will be met by the relevant local authority. The Government does not envisage that authorities should generally need to set excessive council tax increases and so does not anticipate a significant number of referendums being held in any given year. By announcing the threshold for triggering a referendum earlier than the capping announcement fewer authorities may be affected by these proposals than they were by capping. Since capping was re-introduced in 2004-05, some 6 authorities per year were capped on average, and this number is used as a proxy to calculate the midpoint of the total costs above. A range of 1-12 authorities is used to calculate low and high scenarios.

Other key non-monetised costs by 'main affected groups'

There would not be a net cost for council taxpayers, where local electors choose to accept a proposed excessive increase, since they would have voluntarily chosen to make this payment in exchange for a higher level of service provision. There may be some distributional effects where, for example, some local people are likely to benefit from particular increases in service provision than others. However, there has not been any past evidence of a direct correlation between deprivation and use of services or voting patterns. Indeed, Croydon (2001 and 2002) and Milton Keynes (1999) used referendums to test public opinion about council tax levels, and found that the more deprived wards actually favoured the lower tax options more than the wealthy wards. Band D council tax has more than doubled since 1997-98 and high increases in the past have led to various measures designed to constrain local discretion, including council tax capping.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised benefits by 'main affected groups'

Under the proposed arrangements, local authorities will now have a choice over whether they re-bill immediately if they lose a referendum, offer refunds at the end of the year or allow credits against liability in the following year. The costs of administering this system may be lower than those currently borne by a capped authority which is obliged to issue a new set of bills immediately. Rebilling costs in 2008-09 were £380,000 for Lincolnshire police authority (£1.22 per household) and in 2009-10 it was £626,000 for Surrey police authority (£1.29 per household).

Other key non-monetised benefits by 'main affected groups'

The most obvious benefit of the policy is that local electors will themselves be able to exert pressure in favour of lower (average) increases in council tax bills, trading off council tax levels against provision of local services, and choosing the balance of tax and services that best matches their preferences. This would be a net benefit regardless of the outcome of the referendum.

Key assumptions/sensitivities/risks

Discount rate (%)

These will be determined in the light of responses to the consultation paper.

Impact on admin burden (AB) (£m):

New AB:

AB savings:

Net:

Impact on policy cost savings (£m):

Policy cost savings:

In scope

Yes/No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England				
From what date will the policy be implemented?	2012-13				
Which organisation(s) will enforce the policy?	SoS/LAs				
What is the annual change in enforcement cost (£m)?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	10
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	10
Small firms Small Firms Impact Test guidance	No	10
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	10
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	10
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	10
Human rights Human Rights Impact Test guidance	No	10
Justice system Justice Impact Test guidance	No	10
Rural proofing Rural Proofing Impact Test guidance	No	10
Sustainable development Sustainable Development Impact Test guidance	No	10

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	Consultation on local referendums to veto excessive council tax increases (Department for Communities and Local Government, July 2010)
2	The Local Authorities (Conduct of Referendums) (England) Regulations 2007
3	Electoral Commission (2005), The 2004 North East regional assembly and local government referendums.
4	Tower Hamlets (2009), Extraordinary council meeting 2 December 2009, agenda item 4
5	Local Government Act 2003
6	Local Government Finance Act 1992

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs										
Annual recurring cost										
Total annual costs										
Transition benefits										
Annual recurring benefits										
Total annual benefits										

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Background - Council tax

1. Council tax is a tax on the capital value of domestic properties, and is the main source of locally-raised income for many local authorities. The Local Government Finance Act 1992 provides for certain local authorities to levy and collect council tax. Billing authorities are required to send out a bill each year to council taxpayers and to enforce collection. Major precepting authorities and local precepting authorities issue precepts to billing authorities for the collection of council tax on their behalf.

2. Properties are allocated into one of eight valuation bands, from Band A to Band H, and this information is used to calculate the council tax base for an area by converting the number of actual properties into an equivalent number of Band D properties. Billing authorities and major precepting authorities calculate their own 'basic amount of council tax' and use this to determine the liability of individual properties. Local precepting authorities, by contrast, simply inform the billing authority of their total budget requirement for the year and leave it to the billing authority to calculate the relevant council tax. The bill which is sent to the council taxpayer shows the amounts required by each billing and precepting authority in the area and the percentage increase in each since the previous year.

Background - current capping regime

3. Successive governments have reserved the right to limit increases in domestic taxation where these have been judged to be excessive. Under current capping legislation (see Chapter 4A of Part 1 of the 1992 Act, which was inserted by the Local Government Act 1999), 36 authorities have had capping action taken against them since the 1999 powers were first used in 2004-05. In order to take capping action, the Secretary of State for Communities and Local Government must first determine whether the amount calculated by an authority as its budget requirement is excessive, in accordance with a set of principles. If the Secretary of State sets principles, the legislation requires him to set a principle based on authorities' budget requirements. The Secretary of State may set any other principle. In practice there has always been at least one other principle based on council tax increases.

4. If a local authority sets an excessive budget requirement, the Secretary of State may either:
- designate it in relation to the year in question, which would require the authority to re-bill council taxpayers or
 - nominate the authority and either:
 - (a) designate it in advance in respect of the following financial year or
 - (b) set a notional budget requirement for the year in question, against which increases in subsequent years can be measured in deciding whether or not these are excessive

Introduction of local referendums

Legislation

5. The Government will introduce legislation at the earliest opportunity requiring any billing or precepting authority which sets an excessive council tax increase to hold a referendum. The key elements of the scheme will be 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. The legislation will enable the Secretary of State to set additional principles; it will also allow him to determine different sets of principles for different categories of local authorities.
 - (b) These principles will be published in a report for approval by the House of Commons. If the principles are approved, 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. They will also be required to inform the Secretary of State by notice.
 - (c) Any billing authority, local precepting authority or major precepting authority which exceeds the principles will be required to hold a referendum of all registered local electors. Local authorities will be free to hold referendums at any point after the House of Commons has approved any principles set. Referendums must take place no later than the first Thursday in May, to ensure that the process is not subject to delay and that local authorities have certainty over their budgets as quickly as possible in the new financial year.
 - (d) The organisation and administration of referendums will fall to billing authorities and will be modelled on the existing provisions for mayoral referendums where relevant and appropriate. The legislation will allow billing authorities to recoup costs where referendums are held on behalf of a precepting authority. It will also require that only one referendum is held in circumstances where an excessive increase is set by more than one authority in the same geographical area.
 - (e) The legislation will require the authority proposing the excessive increase ('the relevant authority') to prepare supporting factual material setting out the proposed council tax increase and budget, the comparative non-excessive council tax rise and shadow budget, and the estimated cost of holding the referendum. At the same time that bills are sent to council taxpayers, the billing authority will send this information, together with polling cards, to every registered local elector. Local councillors would of course be free to make the case for any excessive increase, but the relevant authority would be prohibited from campaigning on the issue.
 - (f) If the proposed rise in council tax were rejected, the relevant authority would immediately adopt the shadow budget and transfers from the Collection Fund would be reduced accordingly. It would also be required to inform the Secretary of State by notice. The billing authority would be able to issue new bills immediately, offer refunds at the end of the year or allow credits against liability in the following year. However, consistent with existing legislation, billing authorities will be required to refund (and re-bill) any local resident who requests this. The consultation document

asks “How should billing authorities treat bank interest earned on excessive increases that have been rejected in a referendum?”

6. This scheme will be applicable to each billing authority, local precepting authority and major precepting authority (including police authorities, fire and rescue authorities and the Greater London Authority). It would also apply to directly elected Police and Crime Commissioners when they come into being. Whilst there would only be one referendum in each geographical area, there would be a separate vote for each element of the overall council tax bill where an authority had set an excessive increase. Voters in these areas would be given a number of voting forms (or a number of separate questions on the same form).

Policy

7. It is not envisaged that the legislation will require the Secretary of State to publish principles at a specific point each year. However, as a matter of policy, the Government intends to propose principles at around the same time as publication of the provisional Local Government Finance Report and to have both the Local Government Finance Report and the report containing the principles debated by the House of Commons at the same time. This will allow local authorities to complete their budget setting and billing processes in the normal way, and to prepare shadow budgets in good time.

8. There are occasions when authorities may 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, again as a matter of policy, 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. The consultation document asks “Do you agree that local precepting authorities, such as town and parish councils, should be included within the provisions for council tax referendums? If so, are there details about the budget setting process for local precepting authorities which need to be taken into account, and will the “double-lock” mechanism work to protect the majority of town and parish councils?”

9. The Government sees advantages in giving the Secretary of State discretion to determine different sets of principles for different categories of authorities (such as police authorities and fire and rescue authorities) – and to determine how those categories are defined. This would allow him to take into account circumstances affecting only particular categories of authorities – for example, the potential impact of Formula Grant distribution on different categories of authorities, or pressures on a service or services provided by a particular category of authority.

Process

10. The Government believes it is right to require billing authorities to organise referendums given their existing responsibility for administering local government elections. The Government also believes that the referendum franchise should extend to all local electors, not just those liable for council tax, since all benefit in some way from the provision of local services. It is aware that this proposal would exclude council taxpayers who, for whatever reason, do not have a right to vote in local elections.

11. The Government intends to model the provisions for council tax referendums on the existing provisions for mayoral referendums where relevant and appropriate. In particular, this would:

- place certain restrictions on the steps that may be taken, and the expenditure that may be incurred, by a local authority in connection with a referendum. (The consultation notes

that current regulations allow for higher expenses per elector in a referendum than in a local election and asks if this raises concerns)

- require the referendum to take place within a specified time period
- set out the structure of the question to be asked

12. There will be no minimum requirement for voter turnout and a simple majority of those voting will be sufficient to determine the outcome of the referendum. If a majority vote in favour of an excessive increase, the relevant authority would continue to receive transfers from the collection fund based on its original budget. If a majority vote against an excessive increase, the relevant authority would immediately adopt the shadow budget and transfers from the collection fund would be reduced accordingly. In either case, the authority would be required to inform the Secretary of State of the outcome of the referendum and explain to council taxpayers the process for repayment of money where appropriate.

Abolition of capping

13. The introduction of council tax referendums will provide a direct link between local residents and the spending decisions of the local authorities to whom they pay their council tax. The Government therefore intends to repeal Chapter 4A of the 1992 Act in its entirety. However, until provisions for council tax referendums are in place, the Government reserves the option to use existing capping powers to protect council taxpayers from excessive increases where necessary.

Alternative notional amount reports

14. To ensure capping decisions are taken as fairly as possible, alternative notional amounts (ANA) reports are produced for authorities where there have been significant changes in function, finance or structure. These are technical adjustments to ensure that year-on-year comparisons of local authorities' budget requirements are made on a like-for-like basis.

15. With the abolition of capping, the Government sees no further need for these reports. Under the proposals set out above, local authorities would be able to explain the impact of any functional, finance or structural changes in the material they produce to accompany the referendum – and local people would then be able to vote on the basis of that information.

16. Where the structural change involves the creation of an entirely new authority – for example if two or more existing authorities are merged, or where a new parish is established – it would be more difficult to judge how the council tax principle might be applied without an ANA report in the year in which the change occurred. In such circumstances, for local precepting authorities, the Government expects that the wider process which led to these sorts of structural changes would ensure they had democratic legitimacy and local support. For billing and major precepting authorities, the Government envisages putting in place bespoke arrangements where necessary to protect council taxpayers from sudden changes in their liability. The consultation document asks: *“Are there any technical difficulties with the removal of Alternative Notional Amount reports?”*

Calculation of budget requirements

17. The requirement for authorities to calculate a budget requirement, as set out in the Local Government Finance Act 1992 (and amended by the Local Government Act 1999), was introduced specifically for the purposes of limiting council tax increases through capping. The consultation document therefore seeks views on whether there is any need to retain those sections of the 1992 Act which require authorities to calculate a budget requirement (question 11) – and whether the repeal of the budget requirement aspects of the legislation would lift a reporting burden on authorities (bearing in mind that local authorities will still be required to calculate a council tax requirement).

Costs and benefits

Costs

18. The main cost incurred will be the cost to a local authority of running a referendum. As referendums have taken place on a number of occasions, it is possible to use information on these to estimate a range of costs.

19. A referendum was held in 2005 on the establishment of an all-elected regional assembly in the North East of England. The costs of this process are reported in Electoral Commission (2005)², p. 50. These costs, inflated to 2010 prices, suggest that the cost of a referendum could be from £78,300 for a lower tier authority, to £250,500 for a unitary authority (including metropolitan counties). Costs include fixed costs such as staff training, but also some costs which may vary according to population size and the size of the local area such as counting officer fees and ballot papers. The referendum that these costs refer to was a postal referendum.

20. A more recent estimate of costs comes from Tower Hamlets council, where estimates from the Chief Finance Officer suggest that *“the cost of holding a stand-alone mayoral referendum is estimated at up to £250,000. If combined with the Council elections the additional cost is estimated at approximately £70,000.”*³ A number of non-binding referendums on council tax have already been held, and can offer some guide to potential costs. A referendum on council tax in Milton Keynes in 1999 cost around £70,000 – referendums in 2001 cost £150,000-200,000 in Croydon and £120,000 in Bristol.

21. A range of options is being considered for the process of running a council tax referendum, including postal votes and running the referendum alongside existing council elections. Hence it seems reasonable to estimate the range of costs of such referendums as £70,000 - £250,000. Actual costs will vary widely depending on the size of the authority and whether the referendum is combined with a local election. The consultation document asks: *What are the advantages and disadvantages of holding a council tax referendum on the same day as another local referendum, or jointly with a local and/or general election?*

22. Other costs include the cost of rebilling households if the outcome of the referendum were to reject the proposed council tax increase. However, authorities would also have the option of offering refunds at the end of the year or allowing credits against liability in the following year – although billing authorities would be required to refund individuals who requested this. However, rebilling is not an additional cost of the policy as rebilling also took place under the capping regime. It is anticipated that there would be fewer instances of council tax referendums than there are of capping, given that the council tax principle will be announced in advance under the referendum regime (rather than after budgets are set, as under the current regime). However, given that there is no way of knowing what the behaviour of authorities will be, especially as referendums may include some towns and parishes (whereas capping did not), on balance it would be prudent to assume that six authorities per year (the average number of authorities that were subject to capping since 2004-05) might trigger a referendum under the new process.

23. In the past seven years, 36 authorities were capped (43 times overall). Of these authorities, 16 were subject to in-year designation and subsequently had to re-bill immediately, whereas under the current proposals these authorities could avoid the costs of rebilling by refunding at the end of the year. Previously, only those authorities that were designated in-year were required to draw up a revised budget. Under the new scheme, all authorities proposing to set excessive increases would be required to draw up a shadow budget, potentially increasing

² Electoral Commission (2005), The 2004 North East regional assembly and local government referendums. Based on 6 unitary authorities and 13 lower tier authorities existing in the North East in 2005.

³ Tower Hamlets (2009), Extraordinary council meeting 2 December 2009, agenda item 4, paragraph 14

costs for some local authorities. The consultation document asks: *Is it right to give local authorities the discretion to issue new bills immediately, offer refunds at the end of the year or allow credits against liability in the following year?*

24. If the referendum were won (such that local electors chose to accept the proposed higher increase in council tax), it is not considered that this would result in a net cost for council taxpayers, since they would have voluntarily chosen to make this payment in exchange for a higher level of service provision and this would reflect their preferences. There may be some distributional effects where, for example, some local people are likely to benefit from particular increases in service provision than others. However, there has not been any past evidence of a direct correlation between deprivation and use of services or voting patterns. Indeed, Croydon (2001 and 2002) and Milton Keynes (1999) used referendums to test public opinion about council tax levels, and found that the more deprived wards actually favoured the lower tax options more than the wealthy wards. Band D council tax has more than doubled since 1997-98 and high increases in the past have led to various measures designed to constrain local discretion, including council tax capping.

25. Scenarios of the overall costs of the referendums regime can be derived by using the range of costs of £70,000-250,000, and a range of the number of authorities that might have a referendum. On average, six authorities per year were capped in the previous regime. This can be used as a proxy for the number of authorities that may choose to hold referendums. A range of 1-12 authorities per annum can be used to derive a range, as follows:

Table 1. Scenarios – annual costs of council tax referendums

		Annual costs (£)		
		High	Midpoint	Low
Number of authorities	High (12)	840,000	1,920,000	3,000,000
	Midpoint (6)	420,000	960,000	1,500,000
	Low (1)	70,000	160,000	250,000

We would welcome any comments on the number of authorities that may choose to hold a referendum under these proposals.

Benefits

26. The main benefit of the policy would be that local electors would be able to trade off council tax levels with provision of local services, and choose the level of tax and services that best matches their preferences. This would be a net benefit regardless of the outcome of the referendum.

27. If the electorate agreed to the proposed higher council tax increases, there would be an offsetting saving for any authority planning to set an excessive increase under the new regime, since it would no longer be liable to capping action by central Government. Re-billing costs were £380,000 for Lincolnshire police authority (£1.22 per household) in 2008-09, and £626,000 for Surrey police authority (£1.29 per household in 2009-10). If the referendum were lost, as explained above, some re-billing costs may be incurred. Under the proposed arrangements, local authorities will now have a choice over whether they re-bill immediately if they lose a referendum, offer refunds at the end of the year or allow credits against liability in the following year. The costs of administering this system may be lower than those currently borne by a capped authority which is obliged to issue a new set of bills immediately. This analysis will be refined after the consultation.

28. Central government would benefit as it would no longer incur the costs of operating the capping regime.

29. We would welcome any comments on the costs and benefits set out in this impact assessment, as part of our consultation on the referendums process (consultation document “local referendums to veto excessive council tax increases”
<http://www.communities.gov.uk/news/localgovernment/1658244>

Specific impact tests

30. We have considered the potential impact of this policy on the following areas, in line with relevant guidance; and concluded as follows:

- statutory equality duties – there would be no impact
- competition – there would be no impact
- small firms – there would be no impact
- greenhouse gas assessment – there would be no impact
- wider environmental issues – there would be no impact
- health and well-being – there would be no impact
- human rights – there would be no impact
- justice system – there would be no impact
- rural proofing – there would be no impact
- sustainable development – there would be no impact

31. Controls would be in place to limit increases in domestic taxation where these have been judged to have been excessive under both Option 1 (“do nothing”) and Option 2 (“introduce local referendums and abolish capping”). Switching the final say on the matter from central Government to local people has no impact in most of these areas. An Initial Equalities Impact Screening has been completed.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review]</p> <p>The Government will continue to monitor the level of council tax set by authorities across the country. Authorities will be required to inform the Department if a referendum is to take place, and the outcome of that referendum. The Government will therefore keep a record of the number of referendums held each year, and the outcome of these.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p> <p>The review will assess whether council tax referendums serve to keep increases in the level of council tax at an acceptable level, in a less costly and more accountable way than in the current regime.</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p> <p>There will be a review of the relevant data reported to the Government by authorities on levels of council tax and on any referendums held. This represents a proportionate and cost-effective means of undertaking a review of this policy.</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]</p> <p>The costs of the current system will be established so that, after 5 years, we can assess whether the new system is more costly than the old one. The impact of the policy will also be assessed by comparing the levels of council tax increases before and after the change; and also by comparing the number of occasions authorities have been capped under the current capping regime with the number in which increases have been limited following referendums.</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p> <ol style="list-style-type: none">1. Council tax increases are kept to an acceptable level.2. The new system is less costly than the current one.3. Local people feel that democratic accountability has improved, and are therefore more satisfied with the system.
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]</p> <p>Local authorities are already required to report to the Department on details of setting their council tax levels - this will continue to be required. Authorities will also be required to report to the Department whenever a referendum is triggered, and the outcome of that referendum.</p>
<p>Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]</p> <p>N/A</p>

Department for Communities and Local Government
© Crown Copyright, August 2010

ISBN: 978 1 4098 2527 2