



BRIEFING PAPER

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Council tax: local referendums

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Summary

Since the 2012-13 financial year, local authorities, fire authorities, and Police and Crime Commissioners have been required to determine whether the amount of council tax they plan to raise is 'excessive'. A set of principles defined by the Secretary of State, and approved by the House of Commons, is used by authorities to decide if the amount to be raised is excessive. Any authority proposing an excessive increase in council tax must hold a local referendum and obtain a 'yes' vote before implementing the increase. An authority proposing an excessive increase must also make substitute calculations, based on a non-excessive council tax level. This takes effect if the excessive increase is rejected in the referendum.

Proposed thresholds have been published for the 2021-22 financial year. Authorities will have to raise council tax by less than the threshold to avoid a referendum. In 2021-22, the proposed thresholds are 2% or £5.00 on a band D bill for district councils; £15 on a band D bill for Police and Crime Commissioners. Local authorities with social care responsibilities (county and unitary authorities) will have a total threshold of 5% or more. Of this, 3% is available for adult social care and 2% for general spending. As in previous years, no principles were applied to parish and town councils.

Referendums must be organised by billing authorities and there is provision for recovery of expenses where the referendum is held on behalf of a precepting authority. Rules for the conduct of referendums have been set out in regulations.

One referendum has taken place to date. The Bedfordshire Police and Crime Commissioner, Olly Martins, proposed a 15.8% increase in council tax for 2015-16. The poll was held on 7 May 2015. 91,086 voters (30.5%) supported the proposal, whilst 207,551 (69.5%) opposed it. Surrey County Council proposed to hold a referendum on a 15% increase in council tax for 2017-18, but later dropped the proposal.

1. The council tax system

1.1 'Capping' of council tax rates

The Government first introduced powers under which it could limit the amount of tax raised by local authorities in 1984. The *Rates Act 1984* gave the Government power selectively to 'cap' local authority rate levels. In 1991 a universal capping power was introduced which placed a cap on any authority whose planned budget exceeded a given level of increase or expenditure. This system applied to the community charge (or "poll tax") and then to its replacement, council tax, which was introduced from April 1993.

The Labour Government elected in 1997 replaced what it called the "crude and universal"¹ capping system with reserve powers to cap selectively. In essence, the Secretary of State determined capping principles for a given financial year. These had to relate to the size of an authority's budget requirement but, in practice, they also related to planned increases in council tax. The Secretary of State then decided, in the light of these principles, whether any authorities had set excessive budget requirements.

Authorities could be "designated" to be capped in-year or "nominated" in respect of future years. These capping powers were not used until 2004-05 but after that, according to the DCLG, 36 authorities were capped (43 times overall). Of these, 16 were subject to in-year designation which meant that they were required to re-bill taxpayers immediately.²

Sir Michael Lyons recommended the abolition of capping in the final report of his independent inquiry into local government. He said:

Capping is a sign that central and local government have together failed to make the system work, and represents a short-term response to tax increases which are a symptom of problems elsewhere in the system – namely the pressure on local budgets and hence council tax, combined with a lack of local flexibility and unclear accountability. While it is borne out of understandable motives, capping confuses accountability and can have perverse effects.³

1.2 Changes under the Coalition Government

The Conservative Party's 2009 policy paper on local government, *Control Shift*, stated:

The problem with... 'capping' is that it takes the power of decision about local spending and local taxation out of the hands of local voters, and hands it to remote central bureaucracies. That is why a Conservative government will introduce a new system that uses local referendums to control the level of local taxation – providing

¹ Labour Party, *New Labour: New Life for Britain*, 1997.

² DCLG, *Localism Bill – Provision for referendums to veto excessive council tax increases: impact assessment – consultation stage*, August 2010, p11

³ Lyons Inquiry into Local Government, *Place-shaping: a shared ambition for the future of local government*, March 2007, *Executive Summary*, p.10. Fuller discussion of this issue can be found in part 4 (pp127-8) of the report.

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a direct link between local residents and the spending decisions of the local authorities to whom they pay their council taxes. A referendum will be triggered if an authority proposes a council tax increase above the national threshold.⁴

The Coalition's programme for government repeated the promise in the Conservative general election manifesto that:

We will give residents the power to veto excessive council tax increases.⁵

A consultation paper on the practicalities of the proposed scheme was published on 30 July 2010.⁶ The paper sketched out the main features of the referendum scheme. An impact assessment, published in August, set out the key policy objectives as:

1. To ensure that excessive council tax increases occur only where they have a clear mandate from local people.
2. To abolish central government capping powers.⁷

The referendum scheme was introduced via the *Localism Act 2011*. It applies to England only. In Wales, the National Assembly for Wales still has the power to 'cap' local authorities' council tax rises selectively.

An attempt was made to introduce a referendum system of this kind, to apply to rate rises, by the then Conservative government in 1981, but this was withdrawn following political pressure.

⁴ Conservative Party, [Control shift: returning power to local communities](#), February 2009,

⁵ The Coalition, [Our programme for government](#), May 2010, p28

⁶ DCLG, [Local referendums to veto excessive council tax increases: consultation](#), July 2010

⁷ DCLG, [Localism Bill – Provision for referendums to veto excessive council tax increases: impact assessment – consultation stage](#), August 2010, p1

2. How the referendum legislation works

2.1 Principles of excessiveness

The Act sets a duty on billing authorities, major precepting authorities (i.e. county councils, Police and Crime Commissioners, fire and rescue authorities, the GLA) and local precepting authorities (parish and town councils) to determine whether their relevant basic amount of council tax for a financial year is 'excessive'.

A set of principles determined by the Secretary of State is used to decide whether an authority's council tax level is excessive. S/he may set one or more principles, but they must include a comparison between council tax levels for the year under consideration and the previous year. S/he may determine principles for particular categories of authority.

The principles must be specified in a report to be laid before the House of Commons before the date on which the local government finance report for the year is approved by resolution of the House.

A local referendum must be held, and won, for an authority to increase council tax by more than the amount specified in the principles. An authority proposing to set an excessive council tax level is required to make substitute calculations which will take effect if the proposed 'excessive' amount of council tax is rejected in a referendum. The substitute council tax level must be below the amount which is considered excessive under the principles.⁸

Entitlement to vote in the referendum is based on inclusion in the register of electors and on eligibility to vote in local government elections for a particular area. A simple majority of those voting will determine the outcome. Where multiple referendums are held on behalf of a major precepting authority, a majority of persons voting across the entire area (e.g. the county or the police area) will determine the outcome: a majority in each council area is not required.

A local authority which tries to impose an 'excessive' increase without triggering the referendum process would see its council tax collection account automatically frozen in law.

If a referendum is held after the beginning of the relevant financial year, the *higher* rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. In the event that a referendum rejects the increase, the billing authority would be able to issue new bills, offer refunds at the end of the year or allow credits against liability the following year, although individual council taxpayers would be entitled to a refund on demand.⁹

⁸ *Localism Act 2011* schedule 5: this inserts clause 52ZF into the *Local Government Finance Act 1992*.

⁹ See DCLG, [Local referendums to veto excessive council tax increases: consultation](#), July 2010, p9

Where it appears that an authority will be unable to discharge its functions effectively or to meet its financial obligations unless it sets an increase in council tax which exceeds the principles, the Secretary of State has a power to direct that the referendum provisions do not apply.

2.2 Timing of referendums

Where a major precepting authority sets an excessive council tax increase, it must notify the appropriate billing authority which will then hold a referendum. Where this means that two or more billing authorities will be required to hold a referendum, they must be held on the first Thursday in May (or another date specified by the Secretary of State). Billing authorities will be able to recover from precepting authorities the costs of referendums held on the latter's behalf.

Referendums triggered by the actions of billing authorities or local precepting authorities can be held at any time of the billing authority's choosing, subject to this being no later than the first Thursday in May (or another date specified by the Secretary of State).

2.3 Publicity and expenses

Regulations cover topics such as the question to be asked, publicity, and restrictions on expenses, as well as setting out detailed rules on polling.¹⁰ On the issue of publicity, the explanatory memorandum states:

7.4 To ensure people living in the authority's area are aware that a council referendum is due to be held and that they are informed of key information relating to the referendum, regulations 4 to 6 provide that the authority triggering the referendum must publish a detailed notice of referendum in its local area.

7.5 Once this notice has been published (and triggered the period of campaigning), in accordance with regulation 11, an authority may publish an additional statement setting out the reasons for the excessive increase, and the likely consequences if its council tax increase is not approved. This statement will be subject to the campaign expenses limit for the referendum and published no later than 28 days before the poll. To ensure the authority is not able to unduly influence the result of the referendum, regulation 10 places restrictions on the publication of other promotional material by or on behalf of the authority.

2.4 Costs of referendums

The one referendum held so far, by Bedfordshire's Police and Crime Commissioner, is estimated to have cost £600,000. The Bedfordshire PCC covers three unitary local authorities and a population of some 640,000.

An impact assessment on the scheme, published in August 2010, set out the estimated costs of other referendums including the elected regional assembly referendum in the North East, mayoral referendums and non-binding council tax referendums. Tower Hamlets Council had

¹⁰ See the [Local Authorities \(Conduct of Referendums\) \(Council Tax Increases\) \(England\) \(Amendment No.2\) Regulations 2014](#) (SI 2014/925)

estimated that a stand-alone mayoral referendum might cost up to £250,000 but, if combined with council elections, the additional cost was estimated at around £70,000. The paper concluded:

...it seems reasonable to estimate the range of costs of such referendums as £85,000 - £300,000. Actual costs will vary depending on the size of the authority and whether the referendum is combined with a local election.¹¹

The paper also noted examples of rebilling costs for recently-capped authorities, such as £380,000 for Lincolnshire Police Authority in 2008-09 (£1.22 per household) and £626,000 for Surrey Police Authority in 2009-10 (£1.29 per household).

¹¹ DCLG, [*Localism Bill – Provision for referendums to veto excessive council tax increases: impact assessment*](#), January 2011, p10-11

3. Referendums held and the annual thresholds

3.1 Referendums held

In the first three years of this regime, no referendum was held under these provisions.

In February 2015, the Bedfordshire Police and Crime Commissioner, Olly Martins, triggered a referendum by proposing a rise in council tax of 15.8% in 2015-16. This would have equated to an extra £24.80 on a Band D council tax bill in Bedfordshire. The poll was held on 7 May 2015. 91,086 voters (30.5%) supported the proposal, whilst 207,551 (69.5%) opposed it.

Surrey County Council proposed to hold a referendum on a 15% increase in council tax for 2017-18, but later dropped the proposal.

3.2 Freeze grants

Between 2012-13 and 2015-16, the Government offered a 'freeze grant' to any local authority which agreed not to increase its level of council tax. This allows a local authority to increase its funding without resorting to raising local tax levels. In 2013-14, 2014-15, and 2015-16, the freeze grant was equivalent to the revenue that the local authority in question would have obtained via a 1% rise in council tax (i.e. less than the referendum threshold applied in those years). In effect, authorities could choose between extra funding without raising council tax and a larger amount of extra funding from raising council tax.

In each of these years, the freeze grant was also 'rolled in' permanently to the central government funding for the local authorities which accepted it. Rolling the grant in ensures that an authority which accepts a freeze grant will be in the same financial position in future years as a council which increases council tax. An increase in council tax is permanent, in that the funds obtained in a given year remain part of the budget in subsequent years.

No freeze grant exists in the four-year local government finance settlement running from 2016 to 2020.

3.3 Referendum thresholds

Thresholds for 2021-22

The Government published planned referendum thresholds for the 2021-22 financial year in the [provisional local government finance settlement](#) on 17 December 2020. The following thresholds were proposed:

- Local authorities with responsibility for social care (county and unitary authorities) must hold a referendum if council tax is to be increased by **5% or more**. Council tax for general spending requires a referendum if it rises by 2% or more, alongside a

maximum 3% 'social care precept'. Some or all of the adult social care precept for 2021-22 can be deferred to 2022-23, in which case it may be used on top of any thresholds set for 2022-23;

- For fire and rescue authorities, a threshold of **2% or more**;
- For district councils, a threshold of **2%** or of **2% or more and more than £5.00** on a Band D property.
- For Police and Crime Commissioners (PCCs), a threshold was set of **more than £15 on a Band D property**;
- No principles will be set for Mayoral Combined Authorities or for parish and town councils.
- For the Greater London Authority, the provisional settlement documentation says "The Mayor of London has already indicated that in order to fund Londoners' free travel concessions more generously than the English level, he may seek to raise the general element of the GLA's council tax precept. We await the Mayor's proposals on the GLA referendum principle". This should be read in the context of large-scale Government financial assistance for the GLA group, in the light of the financial impacts of the Covid-19 pandemic.

A report in the *Local Government Chronicle* on 11 January 2021 stated that the Mayor of London planned to seek a 9.5% rise in council tax for 2021-22.¹²

The police element of the GLA's council tax precept will be subject to the threshold of £15 on a Band D property. The draft referendum principles report states that the GLA's threshold will be 2% or £16.59 on a Band D property, whichever is the lower.

Thresholds for 2020-21

The Government published [a technical consultation on the 2020-21 Local Government Finance Settlement](#) on 3 October 2019. This was updated by proposals in the provisional settlement [published on 20 December 2019](#):

- Local authorities with responsibility for social care (county and unitary authorities) must hold a referendum if council tax is to be increased by **4% or more**. Council tax for general spending requires a referendum if it rises by 2% or more, alongside a maximum 2% 'social care precept';
- For district councils, a referendum was required if council tax was to rise by **2% or more and more than £5.00** on a Band D property;
- For Police and Crime Commissioners (PCCs), fire and rescue authorities, and the Greater London Authority (GLA): if council tax is to be increased by **more than £10 on a Band D property**;
- For the GLA, a referendum would be required for a rise of **2% or more or if council tax on a Band D property increased by more than £11.56**;
- No principles were set for Mayoral Combined Authorities or for parish and town councils.

¹² Sarah Calkin, "[Mayor proposes 10% council tax hike](#)", *Local Government Chronicle*, 11 January 2021

Thresholds for 2019-20

The 2019-20 Local Government Finance Settlement, finalised on 5 February 2019, proposed the following thresholds for 2019-20:

- Local authorities with responsibility for social care (county and unitary authorities) must hold a referendum if council tax is to be increased by **5% or more**. Council tax for general spending requires a referendum if it rises by 3% or more, alongside a maximum 2% 'social care precept'.¹³ The setting of the social care precept must not exceed a rise of 6% over three years (see the section on 2017-18 below).
- For district councils: if council tax is to be increased by **3% or more and more than £5.00** on a Band D property – i.e. an increase of more than 3% is permitted as long as it does not exceed £5.00 on a Band D property;
- For Police and Crime Commissioners (PCCs): if council tax is to be increased by **more than £24** on a Band D property;¹⁴
- For fire and rescue authorities, if council tax is to be increased by **3% or more**;
- For the Greater London Authority: if council tax is to be increased by **3% or more** on a Band D property.¹⁵

No thresholds will be set for parish and town councils or for combined authorities.

In a statement in advance of the publication of the final settlement, the Secretary of State said that Northamptonshire County Council would be granted an additional 2% headroom, following its severe financial problems in 2018.¹⁶ This means that it would require a referendum if it increases council tax by **7% or more** in 2019-20. Otherwise, the final settlement confirmed the plans in the provisional settlement documentation.

Thresholds for 2018-19

Thresholds for 2018-19 were published alongside the draft Local Government Finance Settlement on 19 December 2017.¹⁷ They differ in a number of ways from initial proposals in the September 2017 publication [Local government finance settlement 2018-19: technical consultation](#).

The thresholds for categories of local authority are as follows:

- Local authorities with responsibility for social care (county and unitary authorities) must hold a referendum if council tax is to be increased by **6% or more**. Council tax for general spending requires a referendum if it rises by 3% or more, alongside a maximum 3% 'social care precept'. The setting of the social care

¹³ The 'adult social care precept' is technically not a 'precept' but additional headroom within the referendum regime for selected authorities.

¹⁴ This also applies to the PCC-related precept set by the Mayor of Greater Manchester.

¹⁵ MHCLG, [Council tax referendum principles report](#), February 2019

¹⁶ [HCWS 1282 2017-19](#), 29 January 2019

¹⁷ See DCLG, [Draft Council Tax Reports 2018-19](#), December 2017; DCLG, [Council Tax Referendum Principles Report 2018-19](#), 6 February 2018

precept must not exceed a rise of 6% over three years (see the section on 2017-18 below).

- For district councils: if council tax is to be increased by **3% or more and more than £5.00** on a Band D property – i.e. an increase of more than 3% is permitted as long as it does not exceed £5.00 on a Band D property;
- For Police and Crime Commissioners (PCCs): if council tax is to be increased by **more than £12** on a Band D property;¹⁸
- For fire and rescue authorities, if council tax is to be increased by **3% or more**;
- For the Greater London Authority: if council tax is to be increased by **3% or more, or by more than £14.21** on a Band D property.
- No thresholds will be set for parish and town councils for the next three years i.e. 2018-2021. In his statement to the House of Commons, the Secretary of State said:

This is subject to the sector taking all available steps to mitigate the need for council tax increases, and the Government seeing clear evidence of restraint in the increases set by the sector as a whole.¹⁹

The Secretary of State described the shift from a core threshold of 2% to one of 3% as “bringing the core principle in line with inflation”.²⁰

Thresholds for 2017-18

In 2017-18, local authorities with responsibility for social care (county and unitary authorities) were to hold a referendum if council tax was to be increased by **5% or more**. Council tax for general spending required a referendum if it rose by 2% or more, alongside a maximum 3% ‘social care precept’.

The intention is that a social care precept of a total of 6% will apply, over and above the ‘standard’ threshold of 2% by 2019-20. However, authorities that raise a social care precept of up to 3% in 2017-18 and 3% in 2018-19 will be unable to raise a further one in 2019-20:

The policy intention set out at the time of the 2016-17 Settlement was that this would be 2% per year up to 2019-20. In recognition of the particular pressures on adult social care services, especially in the next two years, social care authorities will now be able to introduce the rise sooner. They will have the freedom to increase by up to 3% in 2017-18 or 2018-19, but still cannot exceed 6% in total over the three-year period. This means that the total rise in bills should not be any greater.²¹

An earlier consultation, published in September 2016, stated that the power to raise additional money through this route would be “subject to consideration of the use made of the Adult Social Care precept in the previous year”.²²

¹⁸ This also applies to the PCC-related precept set by the Mayor of Greater Manchester.

¹⁹ [HCDeb 19 Dec 2017](#) c919

²⁰ Ibid.

²¹ DCLG, [The provisional 2017-18 local government finance settlement: confirming the offer to councils](#), 15 December 2016, p. 17

²² DCLG, [The 2017-18 Local Government Finance Settlement: Technical consultation paper](#), 2016, p.8

The Government has no power formally to oblige local authorities to spend the additional 'precept' on social care. However, the settlement consultation document says:

To ensure that councils are using income from the precept for adult social care, councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (section 151 officer). Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017-18 must also show how they plan to use this extra money to improve social care.

It would be open to the Government to refuse to allow the extra 3% headroom in future financial years if the accountability required is not forthcoming.

Thresholds for other categories of local authority were as follows:

- For district councils: if council tax is to be increased by **2% or more and more than £5.00** on a Band D property – i.e. an increase of more than 2% is permitted as long as it does not exceed £5.00 on a Band D property;
- For Police and Crime Commissioners (PCCs) and fire and rescue authorities, if council tax is to be increased by **2% or more**;
- Additional headroom applies to PCCs whose council tax is in the lowest quartile of their category of authority.²³ These PCCs will require a referendum only if they increase council tax by **more than £5.00** on a Band D property;
- For the Greater London Authority: if council tax is to be increased by **2% or more**.

2017-18: proposals for parish and town councils

The Government published initial proposals for referendum thresholds for parish and town councils in 2017-18 in a broader consultation in September 2016.²⁴ The proposal was attacked by the parish and town council sector.²⁵ In the draft consultation on the settlement itself, published in December 2016, these proposals were 'deferred'. The Government stated that it would keep the situation under review.²⁶

Parish and town councils with a Band D precept above £75.46,²⁷ and which have a total precept for 2016-17 of at least £500,000, would have required a referendum if their council tax precept was to be increased by **2% or more and more than £5.00** on a Band D property.

The consultation suggested that around 120 parish and town councils would be covered by this threshold. However, it also proposed that

²³ If all PCCs were ranked in order of their level of council tax, the 'lowest quartile' would be the 25% of PCCs at the foot of the ranking i.e. with the lowest council tax level.

²⁴ DCLG, *The 2017-18 Local Government Finance Settlement: Technical consultation paper*, 2016, p.8

²⁵ See Mark Smulian, "[Parishes angered by tax referendum plan](#)", *Local Government Chronicle*, 16 September 2016

²⁶ DCLG, *The provisional 2017-18 local government finance settlement: confirming the offer to councils*, 15 December 2016, p. 18

²⁷ According to the consultation, this is the rate of council tax due on a Band D property in the lowest charging district council.

where a parish or town council raised council tax above this threshold to cover a responsibility that has been formally transferred from a higher tier of local government, it would not be caught by the referendum regime. This will occur where:

- i. the parish council and a principal council covering the area of the parish council have each resolved that a particular function carried out by the principal council in relation to the parish council's area in the financial year 2016-17 is to be carried out instead by the parish council in the financial year 2017-18;
- ii. the parish council and the principal council have agreed the reasonable cost of the exercise of that particular function in the parish council's area by the parish council in the financial year 2017-18.²⁸

Thresholds for 2016-17

The Government published the final referendum principles for 2016-17 on 8 February 2016.²⁹ Debates took place on 8 and 10 February.³⁰ The principles provided that a referendum must be held under the following circumstances:

- For district councils: if council tax was to be increased by **2% or more and more than £5.00** on a Band D property – i.e. an increase of more than 2% was permitted as long as it does not exceed £5.00 on a Band D property;³¹
- For Police and Crime Commissioners (PCCs) and fire and rescue authorities, if council tax was to be increased by **2% or more**;
- Additional headroom applied to PCCs whose council tax is in the lowest quartile of their category of authority. These PCCs would have required a referendum to increase council tax by **more than £5.00** on a Band D property. A list of the PCCs to which this provision applied can be found in Annex C of the 2016-17 principles report;³²
- For local authorities with responsibility for social care (county and unitary authorities): if council tax is to be increased by **4% or more**. A list of the authorities to which this provision applies can be found in Annex B of the 2016-17 principles report.³³ This represents an extra 2% headroom compared to other authorities, and this extra headroom is intended to apply for each year of the rest of the 2015-20 Parliament.³⁴ Councils were required to certify

²⁸ DCLG, [The 2017-18 Local Government Finance Settlement: Technical consultation paper](#), 2016, p.14

²⁹ These superseded the [draft referendum principles for 2016-17](#), which were published on 17 December 2015.

³⁰ See [HC Deb 8 Feb 2016](#) c1333-1352; [HC Deb 10 Feb 2016](#) c1636-1692

³¹ In the draft report, only district councils whose council tax was in the lowest quartile would have been permitted to raise council tax by up to £5.00 on a Band D property: all others would have been subject to a 2% limit. If all district councils were ranked in order of their level of council tax, the 'lowest quartile' would be the 25% of councils at the foot of the ranking i.e. with the lowest council tax level.

³² See DCLG, [The Referendums Relating to Council Tax Increases \(Principles\) \(England\) Report 2016/17](#), HC-790, p.11

³³ See DCLG, [The Referendums Relating to Council Tax Increases \(Principles\) \(England\) Report 2016/17](#), pp. 7-11

³⁴ See DCLG, [Council Tax setting in 2016 to 2017: the government's offer to adult social care authorities](#), 2015, p.3

that funds raised under the additional 2% headroom have been spent on social care;³⁵

- For the Greater London Authority: if council tax was to be increased by **2% or more**;
- No freeze grant was made available in 2016-17;
- No principles were set for parish and town councils.

An additional 1.25% rise may be applied by Somerset County Council and its district authorities, to provide initial funding for the newly-formed Somerset Rivers Authority.³⁶

Thresholds for 2015-16

The council tax referendum principles for 2015-16 provided that:

- A referendum was to be held if council tax was to be increased by **2% or more** by local authorities, Police and Crime Commissioners, fire and rescue authorities or the Greater London Authority;
- A freeze grant equivalent to a 1% rise in council tax, which would be rolled into the baseline local government funding settlement after 2015-16, was made available.
- No principles were set for parish and town councils.

These principles were published on 3 February 2015.³⁷ They were debated in the House of Commons, along with the local government finance settlement, on 10 February 2015.³⁸

Thresholds for 2014-15

The council tax referendum principles for 2014-15 provided that:

- A referendum was to be held if council tax was to be increased by **2% or more** by local authorities, Police and Crime Commissioners, and fire and rescue authorities;
- A referendum was to be held if the GLA had increased the amount of council tax which it applies to the City of London by more than 0%;³⁹
- No principles to be set for parish and town councils.

A freeze grant equivalent to a 1% rise in council tax was made available.⁴⁰ The referendum principles were published on 5 February 2014.⁴¹

Under section 41 of the [Local Audit and Accountability Act 2014](#), from 2014-15, any rise in levies on local authorities must be included in the

³⁵ The Secretary of State plans to issue a notice under section 52ZY of the *Local Government Finance Act 1992*, requiring information on spending to be provided. [A draft of the proposed notice](#) can be found on the website of the Department for Communities and Local Government.

³⁶ See DCLG, *Referendums relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2016/17*, 2015, p. 5-7

³⁷ See DCLG, *The Referendums Relating to Council Tax Increases (Principles) (England) Report 2015/2016*, February 2015

³⁸ [HCDeb 10 Feb 2015](#) c665&ff

³⁹ See section 3.3 above.

⁴⁰ See DCLG, ["Town halls asked to help freeze council tax this year"](#), 5 February 2014, for links to a list of authorities which have accepted a freeze grant.

⁴¹ Nicholas Watt, "Nick Clegg and Theresa May block Eric Pickles plan to tighten council tax rules", [Guardian](#), 4 February 2014.

relevant basic amount of council tax, used in the calculations of whether the proposed rise in council tax is excessive.⁴² This was a response to rises in council tax caused by large rises in local authority levies from some waste and transport authorities. Previously the latter fell outside the referendum threshold, although authorities of these types are controlled by boards of local councillors.⁴³

The Written Statement announcing the 2014-15 principles said:

We have not determined principles for local precepting authorities in 2014-15, but we are putting on notice that we are prepared if necessary to apply the referendum thresholds to larger town and parish councils from 2015-16 onwards to provide protection for local taxpayers and extend the principle of direct democracy.⁴⁴

Thresholds for 2013-14

The principles for 2013-14 stated that:

- Local authorities would be required to hold a referendum if they wished to increase their *relevant basic amount of council tax* by **more than 2%** for 2013-14.
- For local authorities, PCCs and fire and rescue authorities which had a basic amount of council tax in the lowest quartile of their category of authority, a referendum was required if the proposed increase in the relevant basic amount of council tax was both over 2% *and* increased the relevant basic amount by over £5.00.⁴⁵
- A freeze grant, equivalent to a 1% rise in council tax, was made available to local authorities which froze their council tax. This freeze grant would be rolled into the baseline settlement.
- No principles were set for parish and town councils.⁴⁶

Thresholds for 2012-13

The principles for 2012-13 stated that:

- Local authorities would be required to hold a referendum if they wished to increase their council tax by more than 3.5% (except the City of London, which had a limit of 3.75%);
- Fire and rescue authorities and police authorities would require a referendum for an increase of over 4%.⁴⁷

⁴² Levies are amounts that specific public bodies may require local authorities to pay to them, to fund their duties and running costs. They are not the same as precepts, which are applied by other local authorities to the billing authority (i.e. to the authority which operates council tax collection and enforcement): see the Library standard note [Parish and town councils: recent issues](#) for a more detailed explanation of this point. A number of types of authority have levying powers, but the most significant ones in this instance are integrated transport authorities and waste boards.

⁴³ Media reports in January 2013 stated that Rochdale MBC had planned to set a "3.5% increase" by omitting transport and waste bodies' levies from their calculations. Rochdale planned to increase its *relevant basic amount of council tax* by less than 2%. However, the transport and waste levies in Greater Manchester, set by the city-wide transport and waste bodies, rose by over 2%, leading to an increase in tax-payers' bills of over 2%. These levies did not form part of the *relevant basic amount of council tax*, hence the 3.5% increase was permissible without a referendum.

⁴⁴ [HC Deb 5 Feb 2014 c21WS](#)

⁴⁵ See DCLG, [The Referendums Relating to Council Tax Increases \(Principles\) Report \(England\) 2013/2014](#), 2012, p. 10-11

⁴⁶ [HC Deb 19 December 2012 c103-104WS](#)

⁴⁷ See the Written Ministerial Statement at [HC Deb 31 January 2012, c.41-43WS](#)

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- No principles were set for parish and town councils.

The Government offered a freeze grant to councils which froze their council tax for 2012-13.⁴⁸ Councils which froze their council tax would obtain a grant equivalent to a 2.5% increase in council tax; for the City of London the figure would be 2.75%, and for police and fire authorities the figure would be 3%. This freeze grant was **not** rolled into the finance settlement baseline, hence those authorities which took advantage of it would not benefit from a permanent increase in revenue.⁴⁹

⁴⁸ See [HCDeb 14 November 2011, c.28WS](#)

⁴⁹ A freeze grant was also offered in 2011-12; this grant **was** rolled in to the funding settlement. Further details on freeze grants can be found in Library standard note SN/SG/05699, [Council tax 2013-14](#).

4. Views on the referendum regime

Eric Pickles, formerly Secretary of State for Communities and Local Government, stated:

Since 1997 people have seen their council tax more than double, pushing typical bills to £120 a month. We are getting to grips with this with another council tax freeze deal and by radically extending direct democracy over big bill increases with a new local tax lock.

Councils have a moral obligation to help hard-working families and pensioners with the cost of living. If they want to hike taxes on their local residents above 3.5 per cent they'll now need to get a direct democratic mandate to do it.⁵⁰

The Local Government Group submitted written evidence to the Public Bill Committee on the Localism Bill. This stated:

15. We agree with the Government that it is for local people to determine whether a proposed council tax rise is excessive. The decentralising thrust of this proposal is mitigated, however by the proposals that Ministers will nationally fix the rate of tax that should trigger a referendum. A localist approach would provide local areas the freedom to decide and set a level of tax to raise and what to spend it on and to hold this to account through the ballot box at local elections; giving local voters greater choices and influence in local elections as a result.⁵¹

Lord McKenzie of Luton has said that the provisions effectively amounted to “a capping regime” but acknowledged that “successive Governments have reserved the right to limit increases in domestic taxation when they have been judged to be excessive.”⁵² He was, however, concerned that prescribed referendum arrangements would stack the cards against councils whose proposals trigger a referendum.⁵³

Ministers have argued that the new arrangements would allow councils greater freedom than in the past, even if the final decision rests with the taxpayers:

[Robert Neill] The great advantage for councils is that if they believe that they have a case to put to their electorate that they should set a council tax increase greater than that set as the trigger by the Secretary of State, they can do so. Councils cannot do that at the moment. Therefore the council has the opportunity to make its case to the electorate about whether it should be allowed to impose a council tax increase above the trigger limit. That is a much more liberal approach from central Government.⁵⁴

A number of commentators considered that the process would serve to undermine the role of elected representatives. Professors George Jones and John Stewart wrote as follows to the *Local Government Chronicle*:

⁵⁰ DCLG, [New powers for public to stop council tax rises this year](#), 8 December 2011

⁵¹ House of Commons Public Bill Committee on the Localism Bill, [Memorandum submitted by the Local Government Group \(L114\)](#), February 2011

⁵² HL Deb 30 June 2011 c1968

⁵³ *Ibid.* see also HL Deb 5 July 2011 cc135-6

⁵⁴ Public Bill Committee proceedings, 8 February 2011 (tenth sitting), c439

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The local budget is the result of a process of balancing expenditure priorities, which cannot be expressed in a simple yes/no question. It damages representative democracy since it destroys the whole point of local elections, if elected councillors see their judgments based on their electoral promises overturned in a referendum called by a minister.⁵⁵

Many reports published in 2014 and 2015, proposing devolution of various powers to local government, proposed that the referendum regime should be ended and that local authorities should be free to set council tax levels without any reserve powers being available to the Government. This suggestion is made in the City Growth Commission's [Powers to Grow](#) (2014); the LGA's [Investing in our Nation's Future](#) (2014); and the final report of the [Independent Commission on Local Government Finance](#) (2015). The Government rejected these suggestions.⁵⁶

It would be open to a future government simply to not set 'principles of excessiveness' for a given financial year, whilst retaining the power to do so in statute.

⁵⁵ Letter: "Council tax referendums are damaging", *Local Government Chronicle*, 5 August 2010, p9

⁵⁶ Kate Youde, "Local government minister rejects council tax recommendations", [Local Government Chronicle](#), 19 February 2015

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