THE NATIONAL ASSOCIATION OF LOCAL COUNCILS
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NALC

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NALC warns of dire consequences of council tax reforms

The National Association of Local Councils (NALC) today issued a warning about the impact on communities of the Government's proposals for the localisation of support for council tax contained in the Local Government Finance Bill.

Measures contained in the Bill will reduce the tax base constructed on local (parish and town) council precept charges from April 2013. People in areas served by local councils will be hardest hit by these proposals as local councils will need to increase the precept – a form of council tax – levied on residents or cut services.

Representatives of local councils from across the country met earlier this week to consider the Government proposals, agreeing an emergency motion setting out their serious concerns the impact of these reforms on our most local level of democracy and community action.

The Bill is currently making its way through the House of Lords, however the Government is currently consulting on the detail of its proposals to allow principal (unitary, district, borough and county) authorities to create their own local schemes of council tax support to pensioners and the most vulnerable people in their areas. The proposed council tax benefit relief scheme will not have to include a subsidy for local councils, meaning they will lose out financially.

In a community, those on pensions and benefits receive council tax benefit. A consequence these new measures is that there will be less income per household going to the local council. However principal authorities will receive a subsidy from the Government to make up for the shortfall. Currently these subsidies are not required to be paid to local councils.

While on the one hand the Government is keen to keep council tax increases to a minimum and has introduced the referenda mechanism to allow residents to veto excessive rises, on the other hand it is paying little heed to the unintended consequences of reforms such as the localisation of support for council tax proposals. This could result in local councils being forced to hold a referendum on an increase to their precept which is through no fault of their own.

Other concerns NALC has about the council tax reforms include the uneven effect on local councils with an unusual spread of Bands in its properties; the risk of having to suddenly increase cash reserves; and the potential triggering of expensive referenda.

NALC is also pressing for the Bill to be amended to provide for a proportion of the business rate for local councils; to provide a discount to local councils on business rates on its properties; and provide a power for the Secretary of State to provide grants to local councils.

Councillor Michael Chater OBE, chairman of NALC said: "These proposals will seriously undermine the ability of local councils to make a difference to local people and provide local services tailored to the needs of their community.

"While the National Association acknowledges the Government's commitment to delivering economic growth, decentralising control over finance and reducing the deficit, we urge a rethink of these proposals to ensure they do not undermine local councils.

"The message coming from Government is local councils have an important and growing role under their localism agenda, however these latest reforms do not compliment this.

"Local councils may not be able to support economic development, one of the driving forces behind the scheme. There are also risks that in small communities, whilst changes in benefits may be identifiable to individuals, local councils have no right to make any decision on the level of discounts set by a Billing Authority. In addition the economic risks of single sector employer issues are exaggerated in small areas, while the effect of high Band A properties in a pit village without the balancing effects of higher value properties elsewhere could produce some very odd results.

"The increased fragility of the precept is likely to lead to an increase in general reserves and more dead money in the system. There are some obvious difficulties with the present timetable for council tax setting which need to be addressed, as well as the linkage to the council tax referendums."

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Notes for Editors

1. The National Association of Local Councils (NALC) is the nationally recognised membership body representing the interests of 9,000 local councils and their 80,000 local councillors in England.
2. Local (community, neighbourhood, parish, town and village) councils are statutory bodies and are the first tier of local government in England. They serve electorates ranging from small rural communities to towns and small cities; all are independently elected and raise a precept – a form of council tax – from the local community. Together, they can be identified as among the nation's most influential grouping of grassroots opinion-formers.
3. Over 15 million people live in communities served by local councils, around 35% of the population.
4. Local councils work towards improving community well being and providing better services at a local level. Their activities fall into three main categories: representing the local community; delivering services to meet local needs; striving to improve quality of life and community well being.
5. Through an extensive range of discretionary powers local councils provide and maintain a variety of important and visible local services including allotments, bridleways, burial grounds, bus shelters, car parks, commons and open spaces, community transport schemes, community safety and crime reduction measures, events and festivals, footpaths, leisure and sports facilities, litter bins, public toilets, planning, street cleaning and lighting, tourism activities, traffic calming measures, village greens and youth projects. These existing powers were recently strengthened by the extension of the well being power and also general power of competence to eligible local councils.
6. Over 200 new local councils have been established in the last 13 years.
7. The National Association's National Council met on 3 July and passed an emergency motion stating the concerns for local councils from the council tax reforms.
8. The National Association's response to the Government's consultation will be available from 10 July 2012 on its website at www.nalc.gov.uk in the members area.

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