

The Right Honourable Eric Pickles, MP
Secretary of State of Communities and Local Government
House of Commons
London
SW1A 0AA

28 November 2011

Dear Mr Pickles,

Council Tax from 2012/3

Recently, I was pleased to welcome one of your Ministers, Andrew Stunnell MP, to address my full Council on the subject of localism. The Council fully supports the initiatives that your government is introducing on this subject and we share your views in favour of local people making local decisions.

Among the many issues that were debated by Members as a result of Andrew's address to the Council, there is one in particular that I should like to bring to your attention now. As you will be aware, Huntingdonshire District Council believes in low taxes. Over the years we have consistently held our Council Tax down and we currently have the 20th lowest Council Tax for any Shire District in England. We intend to maintain below average Council Tax into the future, but not to do this at the expense of failing to provide valued services.

We believe that other local authorities should be incentivised and encouraged to do likewise and for this reason we are pleased with the additional grants you have announced for those willing to freeze or reduce their Council Tax for 2012/13. However, I would suggest that incentives could be improved by applying a new set of principles when determining what constitutes an 'excessive' rise.

Both your recent grant incentive and capping arrangements for 2011/12 have been determined by reference to a fixed maximum percentage (nil or 3.5%) increase in the Council Tax for any major precepting authority. We believe a uniform approach to setting caps has encouraged high spending authorities to maintain high taxes and has discouraged other authorities from minimising their tax increases for fear of not being able to react to more difficult financial circumstances in future years when the cap may be lower.

What is considered an 'excessive' rise for one authority may not be for another similar authority. We believe that 'excessive' increases should instead be defined as increases above an absolute cash increase equivalent to a fixed percentage (e.g. 3.5%) of the average band D precept for the relevant category of authority. Such a rule would limit the increases of similar authorities to the same cash amount regardless of how high their Council Tax is to begin with.

Where an authority charges far more than the average, they could have a lower limit in percentage terms (3.5% of the average Band D precept for Shire Districts is £5.88 in cash terms, which is just 1.9% of Ipswich's Band D precept). Where an authority charges less than the average they could be given the flexibility of being able to increase their precept by more in percentage terms while still protecting taxpayers by keeping any increase within the same cash limit.

It is important that across the country you are able to speak confidently about keeping Council Tax rises down to a modest percentage for the typical household. Under the principles suggested above, you would be able to say that any increase in Council Tax of more than x% of the average for that type of authority will be considered 'excessive' and will be subject to local residents' right to veto. This would rightly require referendums to be held where the public would have the final say.

There is an argument that referendums may penalise low taxing and low spending authorities for previous good financial performance. With referendums and re-billing having significant costs, the benefits of holding referendums are more attractive for authorities with higher Council Tax as the percentage increase would generate greater receipts for them and make it easier for them to fund the additional costs. Basing new limits on the average Council Tax for each type of authority would lessen this effect. Exercising your discretion as Secretary of State to determine principles for different categories of authorities would allow you to take any unique circumstances affecting distinct groups into account while still protecting residents from disproportionate rises.

Yours sincerely,

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