EXPLANATORY MEMORANDUM TO THE

COUNCIL TAX LIMITATION (ENGLAND) (MAXIMUM AMOUNTS) ORDER 2005

2005 No.

1. This explanatory memorandum has been prepared by the Office of the Deputy Prime Minister and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Description

2.1 This Order relates to the "capping" of the budget requirements of Aylesbury Vale, Daventry, Hambleton, Huntingdonshire, Mid Bedfordshire, North Dorset, and South Cambridgeshire district councils and Runnymede borough council.

2.2 It states the amounts which those authorities must not exceed as their budget requirements for 2005/06, following their designation by the Secretary of State.

3. Matters of special interest to the Select Committee on Statutory Instruments

3 This is the second occasion on which the powers conferred by section 52F of the Local Government Finance Act 1992 ("the 1992 Act"), have been exercised. Section 52F was inserted by the Local Government Act 1999 ("the 1999 Act"). These powers replaced provisions previously in Chapter 5 of the 1992 Act which were repealed by the 1999 Act. The first occasion on which section 52F of the 1992 Act was used was last year, see the Council Tax Limitation (England) (Maximum Amounts) Order 2004 SI 2004/1908.

4. Legislative Background

4.1 This Order is subject to the affirmative resolution procedure. It is laid before the House of Commons under section 52F(7) of the 1992 Act.

4.2 Sections 52A to 52Z of the 1992 Act were inserted by section 30 of, and Schedule 1 to, the 1999 Act.

5. Extent

5 This Order extends to England and Wales but applies only to the authorities in England specified in paragraph 2.1 above.

6. European Convention on Human Rights

6 The Minister of State for Local Government, Phil Woolas, proposes to make the following statement:

"In my view the provisions of the Council Tax Limitation (England) (Maximum Amounts) Order 2005 are compatible with the Convention rights."

7. Policy background

7.1 The then Minister of State for Local and Regional Government, Nick Raynsford announced, in an oral statement to the House of Commons on 23 March 2005, that the Government intended to take action against authorities whose budget requirements for 2005/06 were excessive in accordance with the principles set out in the Minister's statement.

7.2 Accordingly, the Secretary of State designated nine local authorities under section 52D(2)(a) of the 1992 Act.

7.3 In the light of challenges which the designated authorities made, under section 52F of the 1992 Act, to the maximum budget requirements proposed by the Secretary of State, the Secretary of State has cancelled the designation of one local authority and nominated it instead, with a notional budget requirement proposed for 2005/06. He has also increased the maximum budget requirement of South Cambridgeshire District Council to the amount now set out in the Order.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this Order as the Secretary of State cannot make assumptions as to which services and activities may be affected when authorities calculate lower budget requirements.

8.2 The impact on the public sector is a reduction in the budget requirements of the eight affected authorities of £4,489,846. It will be for these authorities to decide which services and activities will be affected when they set lower budget requirements.

9. Contact

Stephen Claughton at the Office of the Deputy Prime Minister, Tel: 020 7944 4001 or e-mail: stephen.claughton@odpm.gsi.gov.uk, can answer any queries regarding the Order.

7th July 2005