

## **Draft Consultation Response on Proposals to introduce Local Referendums for vetoing Council Tax Increases**

**For Consideration by Council Business Committee 02 September 2010**

### **General Comments:**

The Council would welcome the abolition of capping; it considers that local elections, supported by annual budget consultation exercises, are the most appropriate and cost-effective ways of providing communities with the opportunity to express their views on the Council's spending and tax raising decisions.

The Council also appreciates the need for Government to have reserve powers regarding national spending plans, however. With this in mind, the existing powers for 'nominating' authorities (i.e. restricting spending/council taxes for the year subsequent to that in question) is considered an efficient way of regulation if the need arises, although it is appreciated that this effectively provides a year's delay in curbing spending.

Further to the above points though, the Council is concerned that the referendum plans put forward are too administratively burdensome and costly. It is felt that generally, local authorities would consider the costs associated with holding referendums and the risks attached to having a 'no' vote far outweigh any potential benefits, and therefore the opportunity for the electorate to have a direct say in spending plans would seldom, if ever, be used. The proposals may therefore act as a disincentive to considering specific spending initiatives, over and above other plans.

If this is an objective, however, then in terms of transparency and efficiency and notwithstanding the views on capping expressed above, the Council would simply rather that the Government retained its capping powers, but that it set out the capping criteria much earlier, e.g. at the same time as announcing the provisional settlement each year. This would make Government's intentions clearer and would give authorities better information with which to plan. The practice of not determining criteria until after councils have set their budgets and council taxes does not help with financial planning and does not present to the public a 'joined up' approach between central and local government. Future budget processes will be difficult enough, given public spending prospects.

Overall therefore, the Council is not supportive of the package of proposals put forward.

### **In particular Government would welcome responses to the following questions:**

**Question 1:** *Do you agree that local precepting authorities, such as town and parish councils, should be included within the provisions for council tax referendums?*

The answer to this question is based on the premise that referendums would be held only for the electorate of the relevant authority, and in turn they would be charged for the costs of that referendum through their council tax.

If the referendum proposals are adopted, then it may make sense to make some provision to include local precepting authorities, given the scale of tax levels quoted in the consultation, but only to cover exceptional circumstances and only if the proposals are to act as a disincentive to considering increases in council tax. In local circumstances, however, it is considered that none of the area's parish or town councils would ever consider spending decisions big enough to warrant incurring the costs (and risks) of holding a referendum.

*If so, - are there details about the budget setting process for local precepting authorities which need to be taken into account?*

The arrangements would need to ensure that local precepting authorities have sufficient information on which to understand the costs and risks involved – this would need to be reflected in timescales.

*- will the 'double lock' mechanism work to protect the majority of town and parish councils?*

The measures could work, but this will depend upon what the de minimis levels are set at. In essence, they would need to be high enough to ensure that the referendum requirements would apply to local precepting authorities in only very very exceptional circumstances.

**Question 2:** *Are the Local Authorities (Conduct of Referendums) (England) Regulations 2007 the right model for organising and administering council tax referendums?*

Yes, there would be nothing to be gained by having separate regulations.

**Question 3:** *Are there any practical difficulties in requiring council tax referendums to take place no later than the first Thursday of May?*

Practically, in organisational terms it would be very difficult, if not impossible, to go for a date earlier than the first Thursday in May (but it is also appreciated that final decision-making on council tax levels need to be completed as early in the year as possible).

**Question 4:** *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? Current regulations allow for higher expenses per elector in a referendum than in a local election – would this raise any concerns if both votes are held on the same day?*

Advantages of holding on the same day are considered to be:

- reduced costs (although the arrangements are still expected to be expensive, in excess of £100K potentially);
- increased turnout, potentially.

Disadvantages are considered to be:

- ensuring capacity within the authority to organise multiple elections/referendums;
- increasing the complexity of organising the combined arrangements and more importantly, of voting for the electors.

Overall the differential in expenses is not likely to be the greatest worry; having the capacity to organise multiple elections/referendums is of far greater concern.

**Question 5:** *What provision, if any, should be made for properties where the council tax payer is not a local elector?*

It is difficult to see how any provisions could be made reasonably within the electoral system.

**Question 6:** *Does the timetable at Annex A provide sufficient stability and certainty for local authorities when planning their budgets? Does it provide sufficient time to organise and administer referendums?*

The timetable needs more detail before any firm views or assurances could be given. Overall though it provides the minimum possible organisational period; it could certainly not be any tighter or shorter, and would benefit by starting earlier, giving more time to plan.

**Question 7:** *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?*

Yes, billing authorities would need discretion to determine such arrangements in the most cost-effective ways, taking account of local circumstances. In particular, the power to bill immediately would be essential to ensure sound cash flow, to maintain collection rates and to avoid significant arrears mounting and associated recovery action being needed.

**Question 8:** *How should billing authorities treat bank interest earned on excessive increases that have been rejected in a referendum?*

Any interest amounts should simply fall to the billing authority's general fund; it is considered that the amounts involved would not warrant any other (administratively burdensome) measures.

**Question 9:** *What practical difficulties, if any, would there be for a billing authority seeking to recoup the cost of a referendum held on behalf of one or more precepting authorities?*

Assuming that referendums were held on the same day as elections, clear arrangements would be needed to determine apportionment of costs, to avoid disputes. Generally speaking, if provision was made for billing authorities to deduct costs up front from precept payments there should be few practical difficulties, unless de minimis levels are set too low for any local precepting authorities affected (i.e. and the costs of holding referendums actually exceeds their precepts).

**Question 10:** *Are there any technical difficulties with the removal of alternative notional amount reports?*

Yes, potentially. Any major functional, finance or structural change would still need to be reflected in the council tax referendum principles announced by Government, and the production of alternative notional amounts (or their equivalent) would still be needed to support this. Without this provisions, there would be the danger that a referendum would be needed as a result of changes by central Government, rather than as a result of local spending proposals – with all the ensuing costs and administration, as well as the risks attached to there being a 'no' vote'.

**Question 11:** *With the abolition of capping, is there any reason why authorities should be required to calculate a budget requirement each year?*

Yes, the budget requirement is standard to all authorities and aids comparison, although the inclusion of parish precepts does cause confusion and alternative arrangements could be made to exclude these (e.g. simply account for them as payments out of the Collection Fund, as with other precepts). If the budget requirement is abolished, some other measure would be needed for comparison. Ideally, to help with the public's understanding of local authority finance, it would be useful to draw on a reporting level from within authorities' accounts, but there are no obvious alternatives, given recent accounting changes in line International Financial Reporting Standards (IFRS).