

Local referendums to veto excessive council tax increases – Consultation Response

September 2010

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

General Comment

The proposals as currently set out are in danger of diluting local consultation procedures and democratic accountability for local authority budgets. There has been significant improvement in recent years in the consultation processes councils undertake in the lead up to setting their budgets. It is not impossible to imagine a scenario where the budget consultation process points to an increase in council tax that is subsequently overturned in a referendum after the council tax bills have been issued.

In such a situation the wasted costs that would ultimately be borne by the council tax payer are significant, the wasted cost of the initial consultation process, the cost of the referenda and the cost of re-billing.

It may be more sensible to build the referenda into the budget consultation process given more opportunity for a proper debate about the correct balance between expenditure on services and council tax levels and giving Councils a clear mandate for their council tax setting proposals.

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? If so,

Large local councils can have a significant impact on the ability of council tax setting authorities to manage the level of council tax increases. This is also the case for levying bodies which have not been included in the proposals. If levies continue to be part of the budget requirement of billing and precepting authorities they might affect the ability of the authority, potentially subject to a referendum, to keep within the limit, especially if it is a 'new' levying body, or is levying for the first time.

Are there details about the budget setting process for local precepting authorities which need to be taken into account?

Referendums will also apply to directly elected Police and Crime Commissioners (when they come into being). These commissioners will be independently scrutinised, and the scrutineers will have a power to challenge the police precept and invoke a referendum too. How these two powers will interact is not clear.

Will the 'double lock' mechanism work to protect the majority of town and parish councils?

The introduction of a de-minimus level to avoid referenda where the impact of local council precepts is marginal would seem sensible.

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

The use of these regulations impose a rigid structure and method on the way referenda will need to be carried out that inevitably increases costs. Authorities are already experimenting with electronic budget ballots and other such methods as part of their budget consultation processes. Council tax referenda held as part of the budget consultation process could be more cost effective innovative with the emphasis on individual authorities to ensure that these were properly representative.

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

A balance needs to be struck between early certainty over budgets and income levels and allowing sufficient time for the referenda to take place. The impact of changes to individual budgets after the beginning of the financial year should not be under-estimated. It should be recognised that in order to achieve savings within a single financial year many of the decisions on service cuts and other savings have to be taken well before the start of that financial year, particularly where statutory consultation procedures exist.

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?

Budget consultation processes are complex and aim to highlight the tough decisions Council's face over expenditure decisions allowing time to properly consider the potential outcomes and implications. The danger is that a referenda about council tax increases, carried out as one of a number of other voter decisions, will be seen in isolation and not given appropriate consideration.

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

A key role of local councillors when they make the budget decision is to balance the needs of service users against the burden on council tax payers. Care needs to be taken not to dilute this accountability.

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 announcement of the criteria at the time of the provisional settlement is welcomed. The practicality of preparing both a budget and shadow budget should not be underestimated, however. The resources that will be consumed by the preparation of two budgets at a sufficiently detailed level that the Chief Financial Officer could pronounce them sound would be immense at a time when local government resources will be severely constrained. Currently much emphasis is rightly given to local authorities having a sound, deliverable budget in place for the start of the financial year. This allows decisions on service reductions to be taken in sufficient time for savings to be achieved. The level of cuts that would be required to deliver a budget where decisions are taking well into the financial year is sufficiently greater than when these decisions are in place for the start of the financial year.

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?

This would seem reasonable to attempt to avoid significant re-billing costs.

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

There is a danger in making an already complicated proposal more complex. It will be very difficult to make an assessment of a figure that both adequately recompensed the council tax payer and did not place additional financial burdens on the local authority.

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?

Legislation already exists to allow for this in certain circumstances and it would seem sensible to extend the provision.

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

It is difficult to understand how council tax referenda principles will be determined in the absence of alternative notional amount reports.

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

The Budget Requirement is needed to calculate the council tax and precept figures so will continue to be required in practice.