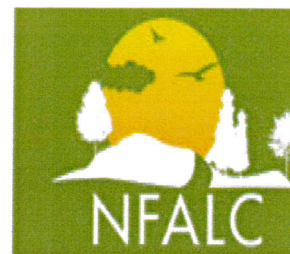


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Roger Palmer
Department of Communities and Local Government
2nd Floor
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SW1P 4DF

20 October, 2017

Dear Mr Palmer

The 2018/19 Local Government Finance Settlement: Technical Consultation

I am writing on behalf of the New Forest Association of Local Councils (NFALC) that serves 37 town and parish councils across the New Forest District in response to ***The 2018/19 Local Government Finance Settlement Technical Consultation*** and in particular comments regarding council tax referendum principles for town and parish councils referred to under section 4.2.

Last year, a similar consultation threatened to define principles for applying automatic referendums for the highest spending larger local councils referring to those with Band D precepts higher than £75.46 and those that also had a total precept for 2016/17 of at least £500,000, ***“while taking account of transfers of responsibilities”***. There is no suggestion in the proposal this year that this would only apply to larger local councils:

“Last year, the Government issued a challenge to town and parish councils to demonstrate restraint when setting precept increases that are not as a direct result of taking on additional responsibilities, and to make precept decisions more transparent to local tax-payers. The continuation of this position in 2018-19 is contingent upon the Government receiving clear evidence of how the sector is responding to this challenge. The Government expects parishes, in setting their precepts, to consider all available options to mitigate the need for council tax increases.”

Although Government refers to ***“taking on additional responsibilities”*** it does not define the term. So, if this concept were carried forward, would this be on the same basis as proposed last year and confined to certain negotiated transfers between a principal authority and a local council, or would it extend to picking up assets and services which had been ceased by service providers or indeed to providing new services where a local council was otherwise inactive or where a new need arises?

The annual threat to impose automatic precept referendums shows an apparent failure to recognise the differences between local councils and their principal council counterparts. Other issues that we feel the Government should consider are listed over the page.

Yours sincerely

Cllr Goff Beck
Chairman
New Forest Association of Local Councils

- The extent to which these proposals sit well with Government's claimed localism principles. For the first time local council finances would be controlled by central Government. Unlike principal authorities, local council expenditure is not dominated by statutory duties imposed by central Government but is based on local need. Clarity is needed about whether and how Government would take into account expenditure as *"a direct result of taking on additional responsibilities"*. Last year, shifting expenditure from one tier of local government to another appeared to be considered a legitimate reason for a precept increase whereas community-derived initiatives and freedoms were not respected. Although local councils and communities often feel obliged to take on additional costs arising from cessation of a service or asset by a principal local authority, they have not, in many cases, had any say in whether a principal authority divests that service or asset and are left with little choice when the alternative is to lose that service or asset completely.
- The impact is of particular concern to councils facing major housing growth as they will need to expand their support to more residents. So much development is now not attracting Community Infrastructure Levy or s.106 funding and appropriate infrastructure will be lacking. Some significant costs are likely to fall to the local council precept. Areas with growing populations will have growing needs and growing precepts and not all households pay council tax. Government should be encouraging communities to support such development, in line with its pro-housing growth strategy, whereas in reality the threat of precept referendums provides another reason for communities to fear inappropriate growth.
- Whether local public meetings, surveys and community plans will become wasteful effort and expenditure as, ultimately, the decision on whether to proceed with actions will be taken through a referendum involving only the mobile, committed, vocal and voting part of the electorate.
- The fact that automatic precept referendums based on a centrally dictated threshold would impose disproportionate and unwanted costs on communities which could undermine important local initiatives, without any evidence being produced by Government that any precept increases have been for anything other than justifiable reasons and community benefit.
- Whether applying an inevitably small percentage threshold to local councils is meaningful. The application of a centrally-defined, technical, target-type assessment of what is an 'excessive increase' is to misunderstand the unique nature and responsiveness of each local council, as defined and shaped by its own local community. For example, the application of a 20% figure on last year's precept of £500 amounts to £100 and on a £50,000 precept is £10,000 and in each case the amount could represent a single modest community project at a small cost per council tax paying household. In either case to count the increase as 'excessive' and add on the cost of a referendum would be disproportionately burdensome on that community and could make the project unviable. If the principle were ever applied to the smallest councils, buying a village bench would become prohibitively costly as the numbers involved would be so small but a costly referendum would be applied.
- How Government would define, assess and apply its idea of excluding the cost of *"invest to save" projects which will lower on-going revenue costs*.
- The poor timing of these proposals for local council budget rounds. With local councils tending to have carefully contained staffing and resources, having to make last minute contingency plans and budgets will be difficult. The particular context for local councils of limited financial resources and small reserves, will mean that the short notice of these proposals (with decisions in the Autumn), if implemented, could also cause serious financial problems for projects mid-term and where there is contractually committed expenditure in 2018-19. It is not in the public interest to cause situations where a referendum returns a 'no' vote with resultant financial difficulty and even bankruptcy for councils used to precepting freedom and not used to having to stockpile funds. This could have an adverse effect of individuals and businesses.
- Whether these proposals undermine and undervalue local councils who are inherently cautious guardians of the public purse and draw on considerable volunteer and goodwill support in a way that their more remote principal authorities cannot do. To impose costs on communities when they do have to spend some money will directly counter any free resource contributed by the community, making it less likely that volunteers will come forward.

- The high number of factors which can cause an increase in expenditure which are outside of local council control e.g. emergency situations, legal costs such as those arising from unauthorised encampments and costs arising from general central Government policy, such as the national living wage and pensions.
 - The costs that arise directly out of central Government policy in relation to local Government. This includes the threat of precept referendums leading many councils, without large reserves, to recognise that they would need to budget for referendum costs in the event of a needed precept increase. Additionally, the failure of Government to compel billing authorities to pass on the Localisation of Council Tax Support Scheme compensation funding to local councils meant that when it was withdrawn or reduced, many councils had to increase their precepts considerably to get to former levels or risk being unable to pay staff, businesses and any other contract obligations. Some have staged increases over a number of years.
 - Comparing the precept to principal authority council tax does not give a true picture of relative expenditure. The precept is often the only or main source of funding for local councils which can make larger local council precepts look misleadingly 'high' and comparisons unfair relative to their principal local authority counterparts who receive additional funding from central Government-driven sources to enable their own greater expenditure.
 - While there might be some evidence about public concerns regarding the level of council tax raised by principal authorities, it is not clear what evidence Government would be relying on if it claims that taxpayers having concerns about local council precepts. Given that councils are embedded within the communities they serve and which directly pay for the services from which they benefit, complaints tend to be rare.
 - When Government introduced a 'cap' on principal local authority expenditure by imposing a council tax referendum threshold, it also introduced a reward payment for 'freezing' the charge to counter some of the harm caused by imposing this burden on those authorities. Significant adjustments were required in order to deliver their services without increasing council tax. No such freeze grant has been proposed for local councils, despite the inherent difficulty in managing the burden of increased demand for services at a local level and the relatively small reserves available to local councils to manage any financial constraint.
 - The need to take particular account of new local councils, which have no prior Band D figure and where it would be unfair to apply excessive increase referendum principles in the first few years of their existence given the unreliability of amounts initially determined for their budgets by a principal authority.
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