

## 4 Council tax referendum principles

### 4.1 Council tax referendum principles for local authorities

4.1.1 The 2018-19 Settlement struck a balance on council tax, giving local authorities the flexibility to address pressures on services while also recognising that many households face their own pressures. It also set out the Government's intention to maintain the same core principle and package of flexibilities in 2019-20.

4.1.2 The Government remains minded to do this. This would mean:

- a core principle of up to 3%. This would apply to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities.
- a continuation of the Adult Social Care precept, with an additional 2% flexibility available for shire county councils, unitary authorities, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly. This is subject to total increases for the Adult Social Care precept not exceeding 6% between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years.
- shire district councils in two-tier areas will be allowed increases of up to 3%, or up to and including £5, whichever is higher.
- police and crime commissioners (PCCs) will be allowed increases of up to £12 in 2019-20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept) subject to the delivery of clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement.

4.2 Following consideration of responses, the Government intends to provide an update on its proposals for council tax referendum principles including the Adult Social Care precept, alongside the provisional Local Government Finance Settlement later in the year.

### Council tax referendum principles for Mayoral Combined Authorities

4.2.1 Devolution Deals have led to the creation of 6 Mayoral Combined Authorities (MCAs) with powers such as transport and planning.

- 4.2.2 From 2018-19 five Combined Authority mayors had powers to raise additional resources to meet the costs of their functions through a precept (or additional charge) on local council tax bills. The precept may only be set with the agreement of the Combined Authority.
- 4.2.3 In May 2018, a mayor was elected to the Sheffield City Region and will also have powers to raise additional resources through a precept (or additional charge) on local council tax bills in 2019-20.
- 4.2.4 In 2018-19 the Government concluded that it should be for each mayor to balance their ambitions and other resources and to decide the level of the first precept they set, with the expectation that mayors would exercise restraint and set a precept proportionate to their needs and not burdensome to their residents. Only the Greater Manchester Combined Authority charged council tax for mayoral functions, a large proportion of which was to fund the fire service previously operated by the Greater Manchester Fire and Rescue Authority.
- 4.2.5 Given the restraint shown by Mayors in the setting of their precepts, the Government is minded not to set referendum principles for Mayoral Combined Authorities in 2019-20.

### **4.3 Council tax referendum principles for town and parish councils**

- 4.3.1 In 2018-19 the Government decided to defer the setting of referendum principles for town and parish councils for three years. However, this was conditional upon:
- the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for “invest to save” projects which will lower on-going costs; and
  - the Government seeing clear evidence of restraint in the increases set by the sector.
- 4.3.2 In 2018-19, the average band D parish precept increased by 4.9% (£3.02). This compares to a 6.3% increase (£3.63) in 2017-18, and is the lowest year-on-year increase in parish precepts since 2015-16.
- 4.3.3 In view of this, the Government intends to continue the deferral of setting referendum principles for town and parish councils, but encourages parish councils to continue this downward trend, and will keep this area under active review.

**Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?**