CONTENTS

Written evidence reported to the House.

Clauses 32 to 39 agreed to.

Clause 40 under consideration when the Committee adjourned till this day at Four o’clock.
Members who wish to have copies of the Official Report of Proceedings in General Committees sent to them are requested to give notice to that effect at the Vote Office.

No proofs can be supplied. Corrigenda slips may be published with Bound Volume editions. Corrigenda that Members suggest should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 12 February 2011

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

© Parliamentary Copyright House of Commons 2011

This publication may be reproduced under the terms of the Parliamentary Click-Use Licence, available online through the Office of Public Sector Information website at www.opsi.gov.uk/click-use

Enquiries to the Office of Public Sector Information, Kew, Richmond, Surrey TW9 4DU; e-mail: licensing@opsi.gov.uk
The Committee consisted of the following Members:

**Chairs: † Mr David Amess, Hugh Bayley**

† Alexander, Heidi (Lewisham East) (Lab)
† Barwell, Gavin (Croydon Central) (Con)
† Bruce, Fiona (Congleton) (Con)
† Cairns, Alun (Vale of Glamorgan) (Con)
† Clark, Greg (Minister of State, Department for Communities and Local Government)
† Dakin, Nic (Scunthorpe) (Lab)
† Dromey, Jack (Birmingham, Erdington) (Lab)
† Elliott, Julie (Sunderland Central) (Lab)
† Gilbert, Stephen (St Austell and Newquay) (LD)
† Howell, John (Henley) (Con)
† Keeley, Barbara (Worsley and Eccles South) (Lab)
† Lewis, Brandon (Great Yarmouth) (Con)
† McDonagh, Siobhain (Mitcham and Morden) (Lab)
† Mearns, Ian (Gateshead) (Lab)
† Morris, James (Halesowen and Rowley Regis) (Con)
† Neill, Robert (Parliamentary Under-Secretary of State for Communities and Local Government)

† Ollerenshaw, Eric (Lancaster and Fleetwood) (Con)
† Raynsford, Mr Nick (Greenwich and Woolwich) (Lab)
† Reynolds, Jonathan (Stalybridge and Hyde) (Lab/Co-op)
† Sebeck, Alison (Plymouth, Moor View) (Lab)
† Simpson, David (Upper Bann) (DUP)
† Smith, Henry (Crawley) (Con)
† Stewart, Iain (Milton Keynes South) (Con)
† Stunell, Andrew (Parliamentary Under-Secretary of State for Communities and Local Government)
† Ward, Mr David (Bradford East) (LD)
† Wiggin, Bill (North Herefordshire) (Con)

Sarah Davies, Committee Clerk

† attended the Committee
Clause 32

MEANING OF “LOCAL OR PUBLIC AUTHORITY”

Question put, That the clause stand part of the Bill.
The Committee divided: Ayes 15, Noes 9.

Division No. 12]

AYES
Barwell, Gavin
Bruce, Fiona
Cairns, Alun
Clark, rh Greg
Gilbert, Stephen
Howell, John
Lewis, Brandon
Morris, James
Neill, Robert
Ollerenshaw, Eric
Smith, Henry
Stewart, Iain
Stunell, Andrew
Ward, Mr David
Wiggin, Bill

NOES
Alexander, Heidi
Dakin, Nic
Dromey, Jack
Elliott, Julie
Keeley, Barbara
Mears, Ian
Raynsford, rh Mr Nick
Reynolds, Jonathan
Seabeck, Alison

Question accordingly agreed to.
Clause 33 ordered to stand part of the Bill.

Clause 33

INTERPRETATION OF PART: GENERAL

Question put, That the clause stand part of the Bill.
The Committee divided: Ayes 15, Noes 9.

Division No. 13]

AYES
Barwell, Gavin
Bruce, Fiona
Cairns, Alun
Clark, rh Greg
Gilbert, Stephen
Howell, John
Lewis, Brandon
Morris, James
Neill, Robert
Ollerenshaw, Eric
Smith, Henry
Stewart, Iain
Stunell, Andrew
Ward, Mr David
Wiggin, Bill

NOES
Alexander, Heidi
Dakin, Nic
Dromey, Jack
Elliott, Julie
Keeley, Barbara
Mears, Ian
Raynsford, rh Mr Nick
Reynolds, Jonathan
Seabeck, Alison

Question accordingly agreed to.
Clause 34 ordered to stand part of the Bill.

Clause 34

BALLOT FOR IMPOSITION AND CERTAIN VARIATIONS OF A BUSINESS RATE SUPPLEMENT

Question proposed, That the clause stand part of the Bill.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): I rise only to ask the Government to explain why they believe, under the clause, that it is necessary to change
the provisions of the Business Rate Supplements Act 2009, which allows local authorities, in consultation with local businesses, to come forward with proposals for a business rate supplement to contribute towards the investment necessary to promote the economy of an area. The 2009 Act provides for ballots to be held, but gives a degree of discretion to local authorities so that they are not necessarily bound to hold a ballot—even if a ballot is thought to be a good idea—in cases where the business contribution is a relatively small proportion of the total cost of a scheme. That seems to fit rather well with the philosophy set out last week by the Under-Secretary of State for Communities and Local Government, the hon. Member for Hazel Grove, when he said:

“The Government...believe that if a local authority wants to adopt its own code of conduct, it should be free to do so. It is almost inconceivable that authorities will not adopt one...Authorities should, however, have that freedom”—[Official Report, Localism Public Bill Committee, 3 February 2011; c. 287.]

Why should not the same principle apply here? It may be desirable to have a ballot and, in most cases, a ballot will be conducted. However, if the contribution from the business rate supplement is a very small proportion of the total, is it absolutely necessary to insist in all cases? I would be grateful if the Minister would explain why they are adopting a different principle in this particular case to the one enunciated last week by the Under-Secretary of State for Communities and Local Government, the hon. Member for Hazel Grove.

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): The overarching principle is the one that Government Members have consistently advanced, including when the 2009 Act was going through Parliament: businesses should not be taxed without the right to have a say. While I do not disagree with the broad proposition of the 2009 Act—that business rate supplements to raise funds for economic development projects are desirable—we think, as I argued in opposition, that all businesses should have the chance to vote. That is simply what we are doing.

The right hon. Gentleman also needs to remember that for some very large BRS schemes, although the sum raised may be less than one third of the total cost of the project, that can be a considerable sum for businesses—particularly small and medium-sized enterprises—so we think it is right that they should have a say on it.

Mr Raynsford: Perhaps the Minister will therefore explain why subsection (7) says:

“The amendments made by this section do not apply in relation to a BRS imposed before the date this section comes into force.” He knows very well that Crossrail is covered by that, and the Government accepted that the Crossrail scheme should not be subject to a ballot on the business rate supplement. It is slightly rich for them to say that they are arguing for ballots in all cases, but that for a project as large and significant as Crossrail—where the contribution from the business rate supplement was actually very substantial—everything is perfectly all right because they accept that there should not have been a ballot and they will not retrospectively require one. Frankly, there is a whiff of inconsistency—a little bit of opportunism—in the air, and I regret that the Government are trying to justify their decision in this case on very shaky grounds indeed.

Robert Neill: That is the most specious argument I have yet heard in the course of this Committee. The right hon. Gentleman argued during the passage of the 2009 Act that Crossrail had to be exempt because of its importance, and that if there was a ballot on the Crossrail levy, it would risk unpicking the whole of the funding settlement. He was right, and the Government have therefore continued with that course. Crossrail is an established scheme—it is in fact the only such scheme that has been set up prior to this measure. We are recognising the previous Government’s stance that it was not desirable to unpick or undermine the funding settlement for Crossrail. That settlement was widely debated, all the major candidates in the mayoral election supported it, and there had been wide discussion with the business community. It is an exception, but it is not intellectually inconsistent. I hope, given that the right hon. Gentleman supports Crossrail as much I do, that he will welcome the fact that we have reflected that in the drafting of the clause.

Mr Raynsford: If my argument is specious, the Minister’s is equally specious. In truth, when the Conservative party was in opposition, it recognised the need for an exception in the case of Crossrail. It was a huge exception. It is bizarre that the Conservative party accepted that then, but now argues that there should be no exceptions in future, even if the scale of the business rate supplement contribution is tiny. That flies counter to the views expressed to the Committee by the Under-Secretary of State for Communities and Local Government, the hon. Member for Hazel Grove. He said that we should give local government discretion and that we must not impose obligations on it. He said that local government will do the right thing, will have a standards code and—in this case—will hold a ballot, but that we should not force it to do so. I am afraid that there is an inconsistency. I merely enjoyed pointing it out, so I will take this no further.

Mr David Ward (Bradford East) (LD): I would not want to comment about the “Origin of Species” debate, but I want to lay a marker on consistency. I accept the Minister’s point about taxation without representation but, on the point of consistency, we will later be considering local referendums in which businesses have no right to participate. That issue, which I think was raised by the British Chambers of Commerce, is a matter for later, and although I support the clause, the Committee needs to bear in mind the question of consistency.

Robert Neill: I understand my hon. Friend’s point. Different types of referendums are outlined in the Bill and it is not unreasonable that different criteria should apply. There is a world of distinction between a code of conduct that does not impose a financial obligation and a business rate supplement that—sometimes for good reasons—does impose a financial burden. For those reasons, we think it is right that there should be a vote. I urge hon. Members to support the clause.

Question put and agreed to.
Clause 35 accordingly ordered to stand part of the Bill.

Clause 36

NON-DOMESTIC RATES: DISCRETIONARY RELIEF

Question proposed, That the clause stand part of the Bill.
Jack Dromey (Birmingham, Erdington) (Lab): We welcome the Government’s proposals on business rates, but we question how effective some of those proposals will be. We support giving councils the power to set local discounts on business rates. Let me give a practical example.

Before Christmas, I led an excellent debate in Westminster Hall on the regeneration of high streets. One of the big issues in that debate, which sought to address considerable concern about the decline of high streets nationwide, was precisely how discounts might be applied to encourage businesses to move back into the high street. In my local area, there is a strong view that Erdington High street is not what it once was, and a strong determination to see it regenerated, so such measures are a welcome step in the right direction. However, we doubt the ability of many councils, particularly in deprived areas, to fund such discounts, given the unprecedented and unfair cuts being imposed on them by the Secretary of State. The cuts total 27% nationwide. Next year £170 million will come out of Birmingham’s budget alone. There is also, of course, the grotesque disparity between the treatment of Birmingham, on the one hand, and Wokingham and Surrey, on the other.

We have, therefore, several questions for Ministers. How will councils that have been hard hit by the Government’s unprecedented and unfair finance settlement be able to fund local discounts on business rates? Are the Government concerned that those areas that are unable to fund the discretionary relief will fall further behind those areas that can? Have they consulted on this issue? What is their assessment of the impact of the proposals? How might they remedy that disparity?

10.45 am

Robert Neill: I am glad that the Opposition Front Bench team welcome the principle behind discretionary rate relief. This is an enabling power, and we trust that local authorities will use their discretion to exercise it according to the circumstances. With respect to the hon. Member for Birmingham, Erdington, the question of the financial settlement is not germane to the principle behind this piece of primary legislation, which is there to endure both in difficult economic times—inherit from the hon. Gentleman’s party—and in better times, when the results of our policies for economic recovery come to fruition. It gives local authorities the choice as to how they fund it and in what form. It therefore seems to be a thoroughly localist measure.

Ian Mearns (Gateshead) (Lab): I come back to the point made by my hon. Friend the Member for Birmingham, Erdington. Discretion exists but is significantly fettered in a particular part of the country by the hit that local authorities are taking from the budget settlement. The 12 authorities in the north-east of England are taking on average a budget cut of £81 per head of population, whereas the commensurate figure for the south-east, outside London, is £21. How can that discretion be exerted when there is such a disproportionate effect in local authorities in certain parts of the country?

Robert Neill: The hon. Gentleman misses the point. First, the funding per head for those parts of the country to which he refers is considerably greater than that for some of the authorities that have been quoted in the south-east of England. Secondly—

Ian Mearns: Will the Minister give way?

Robert Neill: Let me finish. Secondly, it does not take account of the fact that specific arrangements were made to limit the impact on those areas most vulnerable in the funding settlement. Thirdly, we put in place a transitional grant to make up for the loss of the working neighbourhoods fund, which was being removed by the Government supported by the hon. Gentleman. Fourthly, the ultimate responsibility for the tight financial settlement lies with those who left the country in record deficit and have made life difficult for local authorities. We in Government are doing our best to deal with that inheritance.

Ian Mearns: I take the point that the level of cuts is because of the level of grant. But the level of grant also reflects the capability of local authorities in particular regions to raise revenue locally through the banding structure. In my own authority of Gateshead, the banding structure reflects a situation where 65 to 67% of the properties are in band A. It is therefore difficult to raise the extra revenue on a local basis, given the relative property values in different parts of the country. Levels of Government grant have come to be what they are because the banding structure has that impact on a national and regional basis.

Robert Neill: I know the hon. Gentleman will appreciate that this Government took specific steps to assist those local authorities in greatest need by increasing the weighting given to the needs element within the formula grant to 83%, which is the largest ever. Yes, there are long-term issues about the way in which local government is financed. We have announced our local government resource review, and that is why we have a two-year settlement, although it is a four-year spending period. So we can reasonably revisit issues following that review.

Jack Dromey: We, too, trust councils to make good use of the powers, including for the regeneration of high streets. The issue is their ability to make good use of the powers. If Wokingham is losing £4 per head, Birmingham is losing in excess of £100 per head as a consequence of the decision taken by Ministers. On Friday last week, voluminous impact studies arrived late in the day. Can I press the Minister on this issue? Has any study been carried out on the likely use of these powers, and in particular on the ability of those councils in hard-pressed areas—yet further hard pressed as a consequence of budget cuts—to make use of those powers?

Robert Neill: First, it is worth bearing in mind that, as I said before, this measure has been widely supported by the local government community, which accepts that it would be for each local authority to decide whether it makes use of the power. Attempting an assessment of the form that the hon. Gentleman suggests would not therefore be practical. Local authorities would decide whether they used the power or not, according to the circumstances in which they find themselves. As that might be at some stage in the future, it is not a realistic point to make.

The impact assessment sets out fully the steps that we have taken to investigate and, as I have said, the measure has been supported well by the local government and
business communities. It is worth bearing in mind that the Royal Institution of Chartered Surveyors, the British Chambers of Commerce, and the Greater London authority, which is one of the largest authorities with a business interest, have all supported the measure. It is localist and enabling, and once the Government’s economic policies have been successful, many local authorities will be able to start taking advantage.

Gavin Barwell: (Croydon Central) (Con): Does my hon. Friend agree that contrary to the argument that is being made to him, finding £50,000 for a rate relief scheme for a struggling high street will be easiest for authorities with the largest overall budgets? For such authorities, £50,000 is a small percentage of their total budget compared with a shire district council, for example, whose budget is much smaller and for whom £50,000 is a more significant sum.

Robert Neill: That point is entirely fair. What is sometimes forgotten in this debate is that although there are greater pressures within larger authorities, there is often scope for greater flexibility within the system, and my hon. Friend’s point is well made. Some authorities will be keen to take this up, but we trust them to judge their financial circumstances to decide the appropriate point at which they do so.

Question put and agreed to.

Clause 36 accordingly ordered to stand part of the Bill.

Clause 37

Small business relief

Question proposed, That the clause stand part of the Bill.

Jack Dromey: Labour in government introduced the small business rate relief scheme in 2003, and in their Budget of March 2010, the Labour Government announced a temporary increase of SBRR. We welcome the Government’s decision to make this small but important change to that scheme, which was introduced following the Local Government Act 2003.

I have two questions. First, what have Ministers made of the very good representations from the British Chambers of Commerce, suggesting that the current drafting may result in many small businesses still having to apply for relief in future, which may mean that some small businesses lose out? Secondly, will Ministers consider changing the clause’s wording to ensure that any new rate relief scheme automatically applies to small and medium-sized enterprises?

Robert Neill: I am grateful for the hon. Gentleman’s broad support for the thrust of the proposal, and I think that we have a measure of consensus as far as this important issue is concerned. In trying to find the best means of achieving a greater degree of automation, we looked at various options and settled upon this one. The reason is well set out in the impact assessments that looked at various options and settled upon this one.

Forgive me for pressing the Minister one final time on this question, Mr Amess. It is accepted that there are complexities inherent in what the Government propose, but I believe that it is common ground that a number of small businesses that could badly do with taking advantage of what is being proposed will not be able so to do. If that is so, will Ministers not reconsider? If there were such common ground, the business community would be most disappointed if Ministers said that they had an open mind but then shut the door.

Jack Dromey: It is to be welcomed that there was an impact study on the clause, as opposed to what happened on the previous clause. Can I press the Minister to go one step further? The BCC has identified a legitimate issue. I know from experience, as I am sure all hon. Members do, that some SMEs will take advantage readily of what is on offer. There are also SMEs, however, that are unlikely so to do, for a variety of reasons, including not knowing what is on offer. In such circumstances, if there is common ground, as I believe there is—that we want all SMEs to benefit—will Ministers agree to consider the notion of automaticity with a view to bringing back proposals on Report?

Robert Neill: We have to be a little careful; we are doing what we can to achieve automaticity, but it is worth explaining why we have not gone any further. We are removing the requirement to submit an application, but we will continue working with the British Chambers of Commerce, other bodies and local councils to ensure that information about eligibility is available. Taking that course also has the advantage of bringing small business rate relief into line with other reliefs, so it has merit.

The suggestion has been made that we could somehow move to further automaticity, based on the value of the hereditament. Two factors caused us not to go down that route. The first is that any increase in the relief would have to be borne by businesses that were not benefiting from the small business multiple, so there would still be a burden. A satisfactory solution has not been found to the second factor, which is why we rejected it. Although I agree with the desire of the hon. Member for Birmingham, Erdington to assist small and medium-sized-enterprises—that is the object of the policy—the alternative proposition that was being advanced could have given relief to large chains that happened to have a large number of outlets that were comparatively small in size. We were keen to avoid that unintended consequence.

Although we will continue to keep an open mind, we believe that we are taking the safest route; it will prevent the unintended consequence of there being a small hereditament relief rather than a small business relief, and thus a distortion of the market. The other proposal could also have had an impact on those businesses that are sometimes referred to as being “on the shoulder”; they fall short of relief but would have to pick up an increase in the multiplier to fund those just below it. That could have created injustices.
Robert Neill: I do not believe that the drafting of the clause gives rise to the sort of concern that has been expressed. The question of whether small businesses will take it up is better addressed not through the drafting of the clause or through primary legislation but through information campaigns and working with councils and representative bodies to raise awareness. That is the important bit.

Jack Dromey: Does the Minister accept the views being expressed by the BCC and others that, as it stands, it is likely that many small businesses will not take advantage of what is on offer? They might be able to do so, but will not do so—for instance, because they simply do not know about it.

Robert Neill: I have to repeat the fact that that is not because of the drafting of the Bill. Although it is a genuinely held fear, I believe that it can be proved wrong through imaginative work by the Government, local authorities and business bodies. I refer the hon. Gentleman to the view of the Federation of Small Businesses, which said:

“The onus is now on councils to be creative and not needlessly make small businesses go through an application process when it is obvious they are ineligible. We have developed excellent relations with councils across the country through our small business engagement accord and we will be urging them to use their new powers to ensure that all small businesses receive the relief that they are entitled to.”

I agree with the Federation of Small Businesses and I am happy to work with it; I am sure that the hon. Member for Birmingham, Erdington and his colleagues will use their good offices to do likewise.

Question put and agreed to.

Clause 37 accordingly ordered to stand part of the Bill.

Clause 38 ordered to stand part of the Bill.

Clause 39

Duty to hold local referendum

11 am

Barbara Keeley (Worsley and Eccles South) (Lab): I beg to move amendment 79, in clause 39, page 28, line 16, leave out subsection (1) and insert—

‘(1) A principal local authority must hold a referendum in accordance with this Chapter (a “local referendum”) if—

(a) any of the conditions in subsections (2), (3) or (4) are met, and

(b) the condition in subsection (4A) is met.’.

The Chair: With this it will be convenient to discuss the following: amendment 80, in clause 39, page 28, line 30, at end insert—

‘(4A) The fourth condition is that the authority has not already held two referendums under this section in the preceding 12 months.’.

Amendment 87, in clause 44, page 31, line 31, at end insert—

‘(7A) The fifth ground is that the authority thinks that the cost of the referendum, or the total cost of any or all of the referendums held by that authority under section 39 in the preceding 12 months, is unreasonable.’.

Barbara Keeley: There are a lot of new Members on the Committee, and this is the first time, I think, that we have debated amendments across clauses. If the amendments seem to jump about a bit, that is because of how you have selected them, Mr Amess.

Amendments 79 and 80 add a condition to be met before a referendum must be run, which is that the local authority has not already held two referendums in the preceding 12 months. The amendments aim to ensure that if a local authority does not have to run too many referendums in one year.

The current financial context is important; we have already touched on that this morning, and we need to keep reminding ourselves of it. Local authorities face swingeing budget cuts of 27% over the next four years, and those cuts are front-loaded in the next financial year. We know, and need to keep thinking about the fact that, some metropolitan councils face cuts of between £40 million and £100 million this next year. The worst cases involve authorities such as Manchester, which has to cut 2,000 jobs, and Liverpool, which has to cut 1,500. In that context, making the cost of running local referendums manageable is important.

I was amused to read some of the predictions of the impact assessment. They are rather naive, and recent written evidence from Henry Peterson agrees:

“The Impact Assessment on proposals for non-binding referendums again has a thin evidence base, and makes big assumptions in its forecast costs for England as a whole. As has been seen with FoI legislation, administrative costs of such ‘empowering’ legislation can grow steadily, as lobbying organisations and the media learn to use such tools.”

The first cost element for a local authority will be that of checking petitions for referendums. The impact assessment estimates the work load for that as the clerical resource, and the rest of the estimate is just one day of a junior manager’s time per year, to check that the issue is local and not vexatious, and one day of a council lawyer’s time. That is really surprising. Overall, the estimates assume that only 10% of all petitions will be valid.

The cost of running referendums is not properly known, but costs for a London borough are estimated at £70,000 if the referendum is run alongside a local election, and up to £250,000 if it stands alone—a significant cost. In his evidence to the Committee, Sir Simon Milton, of the Greater London authority, said:

“We have made a calculation. Because the GLA is a panel and an authority, it would be required to hold a referendum panel. The cost of doing that, if it were to be combined with our quadrennial elections, would be around £5 million. If it were to be taken outside that period, and you would basically have to run a referendum with nothing else going on, that would cost £11 million. The GLA’s annual budget is £70 million, so you can see that that would be quite a disproportionate burden for the GLA to have to carry. One of the things we would urge this Committee and, indeed, the Government to consider is injecting some kind of requirement relating to proportionality or value for money. That would mean we would not be faced with having to hold such a referendum for small issues.”—Official Report, Localism Public Bill Committee, 25 January 2011; c. 49, Q81.

Of course, as with almost every other aspect of the Bill, we cannot see whether such a requirement will be specified because the details are all await regulations. As the Bill stands, the Secretary of State takes powers over the trigger percentage of petitions, over deciding what is a local matter and whether the referendum question
relates to a matter that he has specified, over the conduct of local referendums and the combination of polls at referendums, and over when and where voting is to take place, and how the votes cast are to be counted. Doubtless we will touch on those matters in debates on later clauses.

It is worth putting those possible costs alongside the costs for councils running a petitions system. Last week, Department for Communities and Local Government Ministers seemed to think that that was an onerous matter, because they wanted to repeal the duty on petitions. The figures on petitions given in the impact assessment include the small internal costs for councils in reviewing and debating petitions. It costs £1,500 to run an e-petition system, plus £500 in maintenance, £2,000 in ongoing costs and £170 to create and approve a petitions system.

The section on petitions goes into amazing detail, giving figures on how much it costs to run a scheme to respond to petitions—between 0.002p and 0.02p per head—to respond to petitions relating to functions outside the authority and to hold a full council debate on a petition. It also details how much it costs for officers to give evidence to the council’s scrutiny functions, and how much petition reviews and debates on petition reviews cost. However, the ongoing costs of a petitions system were uprated on the basis that the number of petitions would increase sharply, by 50%.

Although the impact assessment gives those detailed figures for the costs internal to the council of responding to and reviewing petitions, no such costs are given for responding to and debating petitions for local referendums. The total costs of petitions nationally were initially given as £4.7 million, and then they dropped to £4.2 million a year after that—or the small sum of £11,898 per council per year. We have full estimates of the costs of running a petition system—we have even counted in the council costs for officers to give evidence to the council’s scrutiny functions, and how much petition reviews and debates on petition reviews cost. However, the ongoing costs of a petitions system were uprated on the basis that the number of petitions would increase sharply, by 50%.

I believe that the estimates of how many valid petitions and requests for local referendums will be made are conservative. The cost of running a single referendum per year per local authority is estimated at £42 million nationally, compared with just £4.2 million as the ongoing cost of running petition systems. That means that referendums will cost 10 times as much. That is a conservative estimate.

The reason why I think that the estimates for the number of referendums are conservative is that to guide its assumptions about the likely number of local referendums, the impact assessment used the numbers of local authorities that were required to hold a mayoral referendum as a result of a valid local petition. We know that there has not been a great deal of enthusiasm for elected mayors, but a referendum on a local matter is a different proposition.

Without thinking too hard, I can think of three or four ongoing matters in Salford that could easily turn into petitions for referendums—for example, the closure of the maternity and neonatal unit at Salford Royal hospital, the closure of an NHS walk-in centre in one area and the relocation of its services to the other end of the city at Salford Royal hospital, and local school reconfiguration, which involves local school mergers. One of the schools has been fighting closure since 2008, and would not find it at all difficult to get at least 1,000 people to sign a petition.

I am one of three MPs in Salford, and as I said, I can see three or more current issues that could translate into one authority-wide petition and two or possibly three ward-level petitions. That might translate, across the city, to pressure for two or three authority-wide referendums and six ward or area-level referendums, not the one per year given in the impact assessment. I foresee much more than that. I am sure my hon. Friends can think of a similar number of pressing concerns in their local authority areas.

Many of our witnesses were also concerned about the costs of running local referendums. Councillor Keith Barrow, the leader of Shropshire council, told us that “referendums are a concern. I hope we will not get too many people triggering referendums, because the costs are outrageous in some instances. I go back to the point that this is our job as local councillors. All my councillors are going into the community and attending public meetings; that is not so expensive, but it does take more time.”—[Official Report, Localism Public Bill Committee, 25 January 2011; c. 30, Q39.]

All that I have mentioned, including the concerns of our witnesses, leads me to be concerned about the cost to councils of running local referendums if there are no safeguards. The amendments would provide a first safeguard, and I hope that the Committee will support them.

Gavin Barwell: Does the hon. Lady not accept that amendment 87, far from providing a first safeguard, would probably create a situation in which a local authority could refuse to accept any referendum if it wished? It posits a purely subjective judgment about whether the costs are unreasonable. Given its financial circumstances, an authority could judge that any referendum would be too expensive and therefore unreasonable, and could stop any referendum taking place.

Barbara Keeley: The hon. Gentleman is jumping ahead. I will come to that in a moment, when I will answer his point. We need safeguards. The current safeguard or way of managing the costs issue seems to be to suggest that local referendums be held on the same day as local elections or other referendums. That makes sense until one thinks about it, because it means that if there is a difficult issue in a ward, such as the school closure that I mentioned, the referendum issue becomes the election issue. There is recognition that that is possibly not the right thing to happen.

I turn now to amendment 87. As the hon. Gentleman just said, it adds a new ground for the local authority to determine whether it is appropriate to hold a local referendum based on the total cost of running referendums in a 12-month period. To answer his question, we need some safeguards. I suggest several different safeguards: we could limit the number to two a year or we could look at the costs. We have to find some way.

Two or three authority-wide referendums and ward-level referendums could easily come up in my local authority. They would be very costly. Amendment 87 is a probing amendment. Can the Minister tell us what would happen if a local authority found itself deluged with requests and petitions to hold local referendums?
Brandon Lewis (Great Yarmouth) (Con): Does not arguing that we cannot have the referendum on the same day as an election, or have referendums on different issues at the same time because it could be confusing, denigrate the intelligence of our electorate, who can differentiate between an election and a referendum? Having them on the same day and limiting it to once a year would keep costs reasonable.

Barbara Keeley: I am not arguing that at all. I am saying that the Bill recognises that as a possibility. I am talking about the costs and I am asking Ministers how they would safeguard the situation so that local authorities, such as Salford, do not find themselves with £500,000 worth of costs for running authority-wide referendums or four, five, six or seven ward-level referendums.

The Government have put forward the Bill and it is up to them to say how local authorities can manage the costs. Local authorities will bear the costs. My response to the hon. Gentleman's point is that if a referendum issue is contentious enough, the election is then simply about that issue. We had a referendum across Greater Manchester on congestion charging and nothing else was considered. I know that it dictated the results in the local elections that were held. The stance that candidates took on that referendum was the big issue.

Can the Minister tell us what will happen if local authorities are deluged with requests and petitions? Even the website ConservativeHome has said that there should be some safeguards. It asks the question: “What if we ended up with a referendum every two minutes as portrayed in that Peter Cook film The Rise and Rise of Michael Rimmer?”

For those who have not seen it, the film was a cult British satire from 1970 written by and starring the late Peter Cook. His character takes over a polling firm, becomes an adviser to the Conservative leader, then a Conservative MP and then Prime Minister. Michael Rimmer rises and rises in politics—the Minister is smiling—and he is elected Prime Minister by promising a referendum on everything. When finally the public grow sick of referendums, the very last is on the question of having no more referendums and no more elections. So the character becomes president for life. My point is that we need safeguards and I hope that the Committee will accept the amendments.

11.15 am

Mr Ward: I accept that the cost of referendums is an issue, but I do not consider it to be the issue. I do not like referendums; I do not like national referendums and I certainly do not like local referendums. I believe that they undermine elected local councillors and that they are another example of micro-management, which is a euphemism for downright interference in the operations of elected local members. There are so many ex-local councillors—indeed, some Members remain local councillors—in the House of Commons; I do not understand why we are appearing so unfriendly and untrusting. I do not understand why we cannot leave local government alone more.

The debate between contesting progressive parties over whether it should be 5% or 10% is laughable. Every Friday in one of my local mosques—if not in a shopping centre—I could get 5%, 10% or even 50% turnout for a referendum on a local community matter. Last week, it made me smile when we were talking about people not wanting to turn out to vote. I can assure hon. Members that people are very keen to turn out to vote in some parts of my constituency. In fact, they are so keen that they do so several times.

I understand the need for a referendum when a high-level elected body, such as this, requires a lower-level elected body to have a constitution, and when minority Administrations elected on a first-past-the-post system stipulate what the rules for the changes in the constitution should be. However, I would not go much further than that. There is the cost of operating a referendum and of monitoring everything else that goes on around that. Again, there is some micro-management taking place in relation to telling local authorities how they must publicise, advertise and promote. That is one step too far.

The issue is important not only because of the cost, but because of the message that we are sending out to local councillors. That message is patronising. Many parts of the Bill are downright patronising—and, indeed, contemptuous of local elected members. I am sorry that I have to say this, but this place has a pretty poor record on probity and standards. I do not think we are so good that we should preach—let alone dictate—to others on many matters that are in the Bill.

Nic Dakin (Scunthorpe) (Lab): I am pleased to follow the hon. Member for Bradford East, who puts his finger on the problem at the heart of the referendums issue. What do we really mean by localism? Whom are we trusting? How does that trust balance between local elected representatives and local people? That matter needs working through properly if we are to realise a localism that we can all get behind together. Many hon. Members from all parties have a lot of local government experience and recognise the description that the hon. Gentleman gives of the strength of local democracy and local elected representatives. We need to be careful that we do not undermine our trust in those local leaders by the decisions we make on matters such as this.

My hon. Friend the Member for Worsley and Eccles South drew careful attention to the contradictions within the impact assessments on petitions and referendums. There seems to be double-thinking going on, which is unhelpful in getting matters right. It is obvious that referendums are more complex than petitions because they are a second phase of testing things. Petitions are well trusted and have a strong pedigree within local systems, as my hon. Friend the Member for Birmingham, Erdington reminded us in his excellent speech the other day, which went back to at least the Magna Carta if not before. It was a telling contribution from which we all went away feeling much benefited.

If we are genuine about localism, we really need to listen to what local people and local elected representatives said in their evidence to us. There is a unanimity of concern about the proposals for referendums as they currently lie, which is why it is important that in Committee we put in proper safeguards to protect local people and the present position. My hon. Friend the Member for Worsley and Eccles South referred to Councilor Mr Jones, leader of Shropshire council, and to Councillor Simon Milter, who explained their worries. Councillor Mike Jones, leader of Cheshire West and Chester council, also expressed serious concerns and said that
“there are costs of the referendum, which are not cheap. Parish council elections normally cost £1 to £1.50 per person, so this is not a cheap way of doing things.”—[Official Report, Localism Public Bill Committee, 25 January 2011; c. 30, Q39.]

There is clear and proper concern that we must address a duty as we take the matter forward. Costs are a problem, and in some parts of the country it could be a good way of managing costs to have the referendums on the same day as local council elections. However, in the area that I come from we have local council elections every four years, so that does not seem a reasonable way of dealing with such issues.

Alison Seabeck: My hon. Friend the Member for Worsley and Eccles South said that there is clear and proper concern that we must address a duty as we take the matter forward. Costs are a problem, and in some parts of the country it could be a good way of managing costs to have the referendums on the same day as local council elections. However, in the area that I come from we have local council elections every four years, so that does not seem a reasonable way of dealing with such issues.

Nic Dakin: My hon. Friend is exactly right. If an issue is right for a referendum, local people will want to address it on a timely basis, and a year is a long time to wait. I suggest that four years is an extremely long time to wait. We cannot alter the fact that referendums will place costs on local people. As the hon. Member for Bradford East said, getting names to spark a petition or referendum will not be difficult on the type of issues mentioned earlier. It is not difficult to spark a referendum in respect of how things are currently written. We need to put safeguards in place.

Local authorities face unprecedented challenges at the moment in serving the people whom they are to serve. There are to be cuts of 28% over four years. Making haphazard further cuts at different times could cause mayhem and put local services on the brink of being unable to be properly delivered. I hope the Government are genuine in trying to work through and arrive at a Bill that allows localism to be delivered properly. We want in place the checks and balances that are necessary if we are to have legislation that will enjoy the confidence not only of people here, as the hon. Member for Bradford East said, but local people in communities throughout the land.

James Morris: My hon. Friend the Member for Worsley and Eccles South said that there was regular interest in petitions, and petitions have, as my hon. Friend the Member for Birmingham, Erdington reminded us, a tradition that goes back a long way. They have currency and credibility and they are relatively inexpensive, despite Conservatives’ and Liberal Democrats’ concerns. What I have not seen yet, and would be very pleased to see, is people saying, “Yeah, we want a local referendum. That will make things better.” That did not come through in any of the evidence sessions, and we saw people from across the whole spectrum of beliefs and interests. I did not hear that said once. If that has been said, I would be very pleased to see that evidence, and it would assist us in coming to a proper decision. So far, all I have seen on such evidence is a desert.

Jack Dromey: My hon. Friend is right to say that the Government are taking away the right of citizens to petition and have their petition responded to. Does he not agree that what is now being offered is an illusion of empowerment on the basis of direct involvement in decision making? How can that be squared with the situation in Birmingham where, were there not to be a referendum until May, decisions would be made on 1 March to close 43 out of 60 youth centres, by which time it would be too late for the voice of the people of Birmingham to be heard?

Nic Dakin: My hon. Friend makes an excellent point. Indeed, the scope of the referendum allows referendums to take place on things over which the local authority has no control. If a referendum came out in favour of not closing a particular hospital, it is unclear how it would then empower local communities to prevent that closure going ahead.

Brandon Lewis: The hon. Gentleman said that he did not hear any organisations in the evidence session saying that they welcomed referendum. He should take a closer look at some of the written evidence. In my brief look, I have found three organisations—Civic Voice, Keep Britain Tidy and E.ON—commenting on the positive effects of a local referendum and how they welcome it. In fact, Keep Britain Tidy’s criticism was that it felt that 5% was too high, but that figure was introduced by the previous Government for the mayoral referendum, so it is consistent with what we are doing.

Nic Dakin: I thank the hon. Gentleman for his diligence and his contribution. It was very helpful.

Heidi Alexander: My hon. Friend for Scunthorpe and the hon. Member for Bradford East. The main problems with the clauses on the referendum reflect some of the wider tensions that exist with the Localism Bill. We talked about the potential tension in the interplay between direct forms of democracy, such as the referendum, and the role of elected representatives. I will say a bit more about that later.

My hon. Friend the Member for Birmingham, Erdington spoke about the illusion of empowerment. This clause—and many of the subsequent clauses and the Bill overall—serves to stoke up expectation in local communities. My fear is that it will not deliver on that expectation. We have touched on the fact that these referendums will be
[Heidi Alexander]

non-binding, so we could have a lot of expense and excitement, and then the local authority turns around and says, “We have taken into account what you have told us in this referendum, but we will not do it for these reasons.” I read the debate on Second Reading this morning. When noting the non-binding nature of these referendums, the hon. Member for Richmond Park (Zac Goldsmith) suggested that this could be little more than an expensive gesture. He has hit the nail on the head with that description.

11.30 am

I fear that the expectations of communities will be enlarged through this process. We want to see credible things happening in our communities for their positive benefit, but the provision of affordable housing or the development of additional capacity in renewable energy generation, which I know is controversial. However, not only do referendums make such things potentially impossible; they add a huge amount of delay to the process. We took evidence from a number of people who spoke about the current uncertainty; taking six months to put the petition together, and the authority taking another 12 months to respond, means 18 months of potential delay. If we are going to go down this route, everyone needs to do so with their eyes wide open.

I return to the comments of the hon. Member for Bradford East about the tension here with elected representative democracy. We should ask ourselves what the clause says to local councillors and what it says about their purpose. I am reminded of a situation in my own constituency. We conducted a ballot on a controversial regeneration scheme—I accept that a ballot is different from a referendum—and we had huge turnout. However, it came down to 56% of people saying, “Yes, we want the estate redeveloped”, and 44% saying, “No, we don’t”. The result could have been closer, and the role of elected councillors in that situation would be to bring their values and judgment to bear in taking that decision. They should recognise what local people have said. Ultimately, however, it comes down to locally elected representatives making that decision.

Heidi Alexander: Perhaps I should have explained in more detail that my example involved 156 properties, or approximately 300 people. Many people were involved in the ballot precisely because the local authority had spent many years talking to them about the options, and they understood what those options were. Those residents were asked a simple yes-no question, but many of the decisions that local authorities make are incredibly complex. Some issues, such as the local development plan for an area, are not necessarily suited to a simple yes-no answer. Perhaps my choice of example could have been better.

My hon. Friend the Member for Worsley and Eccles South touched on the disproportionate nature of conducting referendums in London, which could cost £11 million outside election years, compared with the GLA’s annual budget of £70 million. I reiterate that that could present huge difficulties, and I echo the view of Sir Simon Milton, who spoke of the need for a proportionality or value-for-money test in conducting pan-London referendums.

It is useful to consider the type of scenario in which referendums might be used in London. We know that a huge amount of disquiet exists, for example, about the public transport fares increase. I share that, because I know that average rail fares have risen 6% over the past three years. We could stand outside the stations in London in January and ask passengers whether they would sign up to a referendum on the hike in transport fares—I might like to do so as a good bit of political interest with the current Mayor—but I wonder whether that is right for Transport for London, which is a billion-pound organisation that has to do a huge amount of planning. Although it would be political entertainment for me to have a referendum, that is not necessarily the right way for Transport for London to operate a budget of that scale.
Documents such as “The London Plan”, the strategic planning document for the whole of London, deal with complex matters. They are complex in and of themselves, but they are complex also because they relate to other strategies such as the waste and transport strategies for London. If a referendum is held on one plan, or on one part of that plan, what are the knock-on effects for other planning work that has taken place? I will not take up any more of the Committee’s time, because I have probably said enough already, but I hope the Government will listen to some of my concerns.

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): We have had a wide-ranging debate, and many reasonable questions have been asked. I will do my best to give satisfactory answers, but I will start by shooting down a piece of nonsense that unfortunately came from the hon. Member for Birmingham, Erdington. He said that we have abolished petitions. We have not abolished petitions; what we did, as the Committee took on board earlier in our deliberations, was to remove a provision that has not yet been brought into force. All existing arrangements about petitions are there.

Jack Dromey: Will the Minister give way?

Andrew Stunell: I will give way in a moment. I think the hon. Gentleman should wait for the duck to land.

It is still open to the hon. Gentleman’s constituents—and indeed, to him—to collect as many petitions as he wants and to present them to Birmingham city council in exactly the way that has always been permitted. Nothing that we have done removes citizens’ rights to participate in petition-gathering.

Jack Dromey: Thousands of signatures are being collected on petitions about cuts to Birmingham’s youth services on the one hand, and cuts to its police services on the other. Does the Minister accept that, in future, when such petitions are presented to the council, it will not be under obligation to respond, which violates a tradition that dates back to the days of ancient Greece?

Andrew Stunell: I should have thought that the council would be unwise not to respond. I do not want to revisit our discussions, but any sensible and prudent local authority will have proper regard for the representations it receives from its citizens. Such representations will sometimes come via petitions, the flow of which is unlikely to slow down this year as a result of our provision.

Jack Dromey: May I press the Minister further for a straight answer to a straight question? Under the Government’s provisions, Birmingham city council will not be under an obligation to respond to its citizens. Is that true?

Andrew Stunell: It never has been. We can go back to the ancient Greeks, stop at Magna Carta or roll forward—petitions have a valuable role to play in our society, as the hon. Gentleman has told us in considerable detail. They do not change—and are not capable in themselves of changing—the outcome of decisions that are taken by others. I want to make it clear that we are discussing non-binding referendums, too.

I shall pick up on the starting point of the debate, which was not introduced until my hon. Friend the Member for Bradford East brought it to our attention. A core question must be answered: to whom are locally elected representatives accountable? The system in this country, which has built up over the years, is that in practice they are accountable to Parliament—to Whitehall, actually, not to Westminster. The entire purpose of the Bill is to change that accountability around, so that they become accountable to their local communities. When they look over their shoulders they should not see Whitehall; they should see their constituents.

Heidi Alexander: Will the Minister give way?

Andrew Stunell: I will, if I may, develop my point a little. My hon. Friend the Member for Bradford East described himself as a localist fundamentalist. Just for once, I am a little more localist and fundamentalist than he is. We want empowered and engaged communities who hold their councils and their locally elected representatives to account. I do not apologise to my hon. Friend for the provision, because it is right. It is part of turning the system around so that accountability is to the local communities and local electors in the area, not to the dictates of central Government.

Heidi Alexander: I thank the Minister for giving way. I began to be reassured as his argument developed. In my six years of being a councillor, however, my accountability was certainly to the electorate and I did not feel the burden of accountability to Whitehall. Does he accept that accountability to the electorate should include all that electorate, some of whom, perhaps, do not vote in local elections? It does not include only those with the loudest voices.

Andrew Stunell: I absolutely agree that it is important for such accountability to represent the whole community. From that point of view, the hon. Lady might agree that a petition collected outside a railway station might be less representative than a referendum of the whole community. Neither is perfect, but in terms of gathering views from the whole community, a referendum would be a more effective mechanism.

Nic Dakin: The Minister has been most generous in giving way.

I concur with what my hon. Friend the Member for Lewisham East said. During my time as an elected member, I was always accountable to the people who elected me in my ward, and I am sure that that is what everyone recognises first and foremost.

Surely, if the Bill is about trusting local elected members, we should just trust them to use whatever mechanisms they and their communities want to use. If a local area wants to use a referendum, it should be allowed to do so. Referendums should not be forced on it by national Government saying, “A referendum is good for everyone, whether you like it or not.” That is the path that I am afraid we are going down.

Andrew Stunell: The hon. Gentleman has completely misunderstood what we are doing. We are not imposing referendums on local government, but providing an
opportunity for citizens in their communities to call one if they think it is appropriate. They will do so, one presumes, if they believe that the authorities are not delivering on something that they want to see happen or not happen.

Barbara Keeley: I mentioned earlier that as the Bill is drafted, the Secretary of State will have power over the trigger percentage of petitioners, deciding what is a local matter, whether the referendum question relates to a matter that he has specified, the conduct and combination of polls, when and where voting is to take place and how the votes are cast.

The Minister has just said that the provision is being created so that councils are accountable to their local people and not to Whitehall. I think he said that they should not be looking over their shoulders to Whitehall. However, local people putting in a petition or request for a local referendum might find that the Secretary of State has decided that that is not a local matter, that he has already proscribed that particular subject or any of the other things that I have just listed. How can the Minister say to us that councils should not be looking over their shoulders when the Secretary of State is trying to take all those powers?

Andrew Stunell: The hon. Lady is trying to have her bread buttered on both sides—she spent quite a bit of her speech telling us that she thought the problem was that there were no safeguards. The Bill does not specify every possible conceivable safeguard, but it introduces a mechanism for developing those safeguards, so that when the proposals come into force, they will be in place.

The hon. Lady will know very well from her time in government that that power will be exercised by the Secretary of State, not by getting out of bed and thinking something up, but in consultation with local government and taking into account relevant factors and considerations regarding the nature of the extent and the mechanics of holding a referendum, some of which have quite rightly been raised in the debate.

I would like to move on to some of the practical concerns that were raised about aspects of the proposals in the clause and more generally in the chapter. A number of points were made about the costings and some criticism was raised about the impact assessment. I remind the Committee that the provision is a new one, so it is covered by the new burdens doctrine, which is an obligation on central Government to ensure that no additional costs falls on local government collectively.

Mr Raynsford: The Minister will be aware, from the introduction of my question, that while I did my utmost to apply the rules properly when I was the Minister, it did not necessarily satisfy local government, which often complained that it was not getting enough. Will he now please answer my question? Will the compensation be based on the Government’s estimate of cost, which most believe is far below the actual cost, or on the actual cost, which can be quite easily established once the authority has held the referendum?

Andrew Stunell: I am quite sure that once the costs have been easily established, as the right hon. Gentleman says, we shall have representations, and I am sure that the Government will take a view on that at that point.

Ian Mearns: We have quite clearly been given an estimate of £21 million a year for the cost on local authorities as a result of the provisions of the Bill. Funding for the new burden’s cost will be provided by the Secretary of State through the spending review. I asked the Minister a question and he had the good courtesy to reply that there is an established formula of £21 million. I must say, however, that that seems a low estimate of the additional cost.

Andrew Stunell: I am aware of the criticism of the costings, but I will pick up on one practical point about the cost of checking the validity of petitions, which the hon. Member for Worsley and Eccles South queried. The impact assessment makes assumptions about the likely staff resource required, and that is based on information provided to us directly by Bury council.

Barbara Keeley: To be accurate, I did not question that. There are figures in the impact assessment on the clerical cost, but I actually questioned the estimate’s inclusion of one junior manager and one legal officer for one day a year. I must say that, with the level that I can see in my constituency and across Salford, the notion of one junior manager and one legal officer for one day a year only is naive in the extreme. I quoted a witness, who used to be a senior officer in Hammersmith and Fulham and who has been an adviser to the Department for Communities and Local Government, who said that those assumptions were thin. The question of the burden and safeguarding against it is important in the current financial context. That is the point that I was making.

Andrew Stunell: Yes, it is important, and the Government’s estimate will be drawn up with regard to the available evidence and any representations received. I will not invent a new new burdens doctrine here today. The Government and preceding Governments have had a way of approaching the issue, and we shall do it in exactly the same way, taking fair and reasonable regard of the evidence received.

Moving on, the hon. Lady and I took an active part in the referendum campaign in Greater Manchester, which was on whether congestion charges should be introduced. She said, in a slightly disparaging way, that that debate had dominated some local elections and had perhaps altered the outcome—as though that was a bad thing. Yet, I would have thought that this is actually
about ensuring that local communities have a voice and can get their view across. The hon. Member for Scunthorpe has said that he is always in touch with his electors. We all like to think that we are always in touch with our electors, which is why none of us ever get beaten in elections. However, if our electors come to a view that we fail to reflect in what we do, we should not be too disappointed when we suffer the electoral consequences. The hon. Lady and I were in a select group of Greater Manchester MPs who took a view that it was a mistake to introduce the congestion charges, and our electorates certainly agreed with us. In the event, the figure in favour of rejection was some 73%, so we were vindicated in that campaign.

What is absolutely clear is that the authorities in Greater Manchester, if they had found a way to avoid the referendum, would have done so, and would have been happy to introduce the congestion charges. The referendum was a useful safety valve, which I do not pray in aid of referendums in all circumstances, but I make the point that elected representatives sometimes get out of touch with the real world and with their communities, so it is right for a mechanism to be in place to give them a sharp tug on the reins and a reminder of who is really in charge. Coming back to my starting point, that sharp tug is surely much better done through such a mechanism than through some Secretary of State issuing a directive that thou shalt or thou shalt not have congestion charges in Greater Manchester.

**Ian Mearns**: The contradiction that I am finding difficult to come to terms with is that Government Members have said that what we are talking about is an additional way for local elected members to be in touch with their communities, but from the inherent estimate of costs, which the Minister has given us and is in the Bill’s explanatory notes, they are not expected to do so too often. That seems to be a contradiction. The provision adds the extra layer of contact, which will be rarely used, given the inherent costs of such things as referendums.

**Andrew Stunell**: Opposition Members seem a bit bewtixt and between. They are not quite sure whether there will be so many referendums that every local authority will be bankrupted, or whether the measure is tokenistic, ineffective and a complete waste of time.

Keeping in touch with one’s electorate is worth spending a little bit of money on. It is part of the democratic cost in this country. I would not expect the Opposition to advance the argument that we are better having elections every 10 years because we could save so much money. Surely Opposition Members recognise that there is a cost and this is part of it.

**Several hon. Members rose**—

**Andrew Stunell**: I have a choice. I give way to the hon. Member for Gateshead.

**Ian Mearns**: I am grateful to the Minister for giving way, but I need to come back on the point. We are not bewtixt and between—the Government Members are. My point is that I do not anticipate the Government estimate of £21 million being at all relevant, because the power—if it comes to fruition—would be widely used in lots of areas around the country. I do not have a problem with that, as long as the Government estimates are exactly right and as long as enough safeguards ensure that the power is not widely abused.

**Andrew Stunell**: I am sure we will talk more about the safeguards as we go on through the debate. However, on the cost, clearly at some future date it will be discovered whether our estimate, as set out in the impact assessment, is sensible and reasonable, or whether some other estimate needs to be taken into account, in which case that evidence will indeed be taken into account.

I might, inadvertently, have given the Committee the impression that the petitions duty that we abolished had not come into force. Of course, it did come into force, early last year. What we did was to take away that bureaucratic machinery, put in place at great expense, and to say that the pre-existing petitions regime remains fully in course.

**Heidi Alexander**: I am interested to hear the Minister talking about the bureaucratic machinery he is taking away for petitions, and yet people could be forgiven for thinking that the clauses in the Bill on referendums invent a totally new bureaucratic machinery.

**Andrew Stunell**: We are trying to keep the machinery as unbureaucratic as possible, but the Opposition want safeguards. The safeguards will come in the codes, which will be developed in consultation with local government and which my ministerial colleagues and I intend to be as unbureaucratic as possible.

**12 noon**

Let me pick up the question about the timing of referendums. The Bill does not say that you have to wait six months or a further year. It sets a time frame within which the referendum must be held. I am reminded of the situation in Switzerland, where in some of the cantons they have a referendum day every six months, and all the referendums which have accumulated in that canton are dealt with in one day. It might well be that referendums will coincide with local elections, but, as the hon. Member for Scunthorpe said, some places only have four-yearly or biennial elections, in which case a separate provision would have to be made.

**Jack Dromey**: The Minister has said, “Let the people be heard”—subject, of course, to the Secretary of State reserving the power to use his Henry VIII ability to intervene. May I press the Minister further on this point about the illusion of empowerment? Tomorrow we will be debating in this House the proposal to shut down all of the advice services of the Citizens Advice Bureau—the generalist advice services. The final decision will be made on 1 March. The elections will not then take place until May. We propose that the referendum should coincide with the elections. In those circumstances, should the council agree to defer any decision until after May?

**Andrew Stunell**: It is for the council to decide how it proceeds, and one might make the same argument about a petition or any other representation made. The council has a statutory duty to reach decisions on a certain timetable; it will, I am sure, take into account all relevant considerations before it takes that decision.
Nic Dakin: The Minister says, “It is for the council to decide how it proceeds”. That is a very strong statement. Why not let councils decide whether they want to have referendums as part of their infrastructure of contact with local people? That would be truly localist and allow differential ways of this developing within the current legislation.

Andrew Stunell: Of course, the Bill does exactly that. There are three ways of having a non-binding referendum. One is triggered by the majority of the council; one is initiated by councillors within a smaller area if the referendum is planned to be within that smaller area—that in turn has to be signed off by a majority of the council. The third way—the way on which we have spent our time this morning—is one that is initiated by the local community via a petition. So—I think I understood the hon. Gentleman’s question—the mechanism he is seeking is in the Bill. The question is whether an additional mechanism should be in the Bill. That is what we are debating: a trigger by the local community.

Jack Dromey: If the Minister is saying that the council will make its decision on 1 March, is it not then a cruel confidence trick to pretend to communities that they can have their say in a referendum in May, two months after the decision is made by the council?

Andrew Stunell: No, of course it is not. I am surprised that the hon. Gentleman is so naive as to say that. If he were to spend this next weekend collecting signatures on a petition—as no doubt he will be—and if that petition is presented to the council next week—as no doubt it will be—is he performing a naive confidence trick on the people who sign those petitions? Of course not. He does not believe that, and nor do I. The referendum is about establishing what the community believes is the right solution in response to a question. It is then quite properly the responsibility of those who hold the power of decision-making to take that into account as a material consideration. This is a non-binding process, just as a petition is a non-binding process.

Brandon Lewis: Does the Minister agree that Labour Members’ problems and confusion arise from their having completely misread this part of the Bill? They have not understood that the referendum power is not about giving power to councils; it is about empowering local people, so that they have their say.

Andrew Stunell: I thank my hon. Friend, who made that point more eloquently and succinctly than I have so far managed to do.

The amendments are mistaken in their intention, and would not achieve what they set out to do. I urge the Committee to reject them, and in due course to support the clause with enthusiasm.

Barbara Keeley: That is helpful in crystallising what we are debating. The debate has raged further than my amendments, probably because it has been the first one on referendums today. It boils down to a great confusion that I see among Government Members about removing the duty to respond to petitions, which has only just been introduced, has gained traction, and is cheap, popular and flexible, but which is being replaced with something that the Government have not done a good job of costing and is a potential burden. We now hear that the Government are not prepared to accept any of the sensible safeguards suggested in our amendments.

The hon. Member for Great Yarmouth sees the provision as empowering local people to have their say. I was a councillor for nine years, and this is my sixth year as an MP. I understand the desire of local people to have their say, and it is important that we all recognise that, but a non-binding advisory referendum will not satisfy them—unfortunately, it will not.

Henry Smith: Will the hon. Lady give way?

Barbara Keeley: Let me make some progress.

I referred earlier to the referendum in Greater Manchester on the congestion charge. It was a binding referendum, and the turnout in Salford was the highest—60%—in Greater Manchester, because council leaders had agreed to make it binding. That is the difference. What people really want, in having their say, is to be listened to. The worst of all worlds would be for the council to have a duty to operate something that might run into hundreds of thousands of pounds a year and for it, for other reasons, to have to turn round and not give it effect. Once the referendums are up and running, they will not be a popular mechanism to let people have their say; they will become another source of frustration, which arises when people have their say and feel that they are ignored.

Henry Smith: Does the hon. Lady not accept that referendums are more objective, empirical and scientific than petitions, which are more subjective, although they can be useful?

Barbara Keeley: I do not think that we have had enough practical experience of referendums to know. The assumptions in the impact assessment are based on mayoral referendums, which we do not have a great experience of in this country. I have experience of a particular and heated debate, as does the Minister. Like the council tax referendums that we will come on to later, the difference was that it involved people paying out money every day to achieve the transport aim of reducing congestion. One thing that is known is that a focused debate on something that will cost more—an extra tax, if you like—will exercise people.

Some of the issues that I have mentioned will also exercise people. The debate on the closure of our maternity unit raises very difficult issues for local people. The closure of a walk-in centre, which is proposed in a ward in my constituency, has focused debate. To return to the point that I made earlier, petitions cost less than £12,000 per local authority on the Government’s estimate, but the proposed system might cost £200,000 to £250,000, and we have no real confidence in those estimates.
We have heard concerns raised by members from across the Committee. The hon. Member for Bradford East made it clear that he does not agree with referendums. It is important to make it clear, as we approach the Division, that we do not object to referendums, but we are concerned and believe that there should be safeguards. We are not confident about the estimates, and we are not the only ones—we have heard many concerns raised, and my hon. Friends the Members for Lewisham East and for Scunthorpe have touched on those difficult issues, too. The Government are suggesting that local government does something that they are not adopting for Departments. Many people in local government are asking why, if there is such enthusiasm for referendums, the Government will not allow referendums to be run on particular issues. If there were a national referendum on selling off the forests, the Government would find themselves responding to a high level of comment.

I have already expressed particular concern about the Secretary of State’s powers over referendums. That makes matters not properly accountable to the local population, because they will have to look over their shoulder at Whitehall. It will not keep people happy if, once they have put their petition in, they do not get their referendum because the Secretary of State says that the matter is not local.

We are not convinced on the costings. We have something that costs local authorities a small amount—£12,000—but the Government want to remove the duty to respond to that and bring in a system which I estimate will cost £128,000 an authority. That is an underestimate. I can see it costing £500,000 or more. That is a concern, because we are so stretched in many of our cities, particularly in the north of England. The context is difficult. There are different views. We are not against referendums, but there has to be a realistic view taken on the costings. There is no point having figures of burdens that are half a quarter of what they will be.

Gavin Barwell: I will detain the Committee for a minute or two. The hon. Lady has tried to clarify the Opposition’s position, and it certainly needed a lot of clarification. What we argued is that the Department for Communities and Local Government was not sure whether they were against referendums all together, whether they were arguing that they should be binding, rather than advisory, or whether they were saying that safeguards needed to be applied. A case can certainly be made—the hon. Member for Bradford East made it—for a pure representative democracy, but it is a rather bizarre argument to make in current times, when public satisfaction with politicians and our representative democracy is not very high. Anything to have a greater involvement of people is to be encouraged. The hon. Member for Worsley and Eccles South referred to the referendum in Greater Manchester, where there was a turnout of 60%. I cannot imagine that many local authorities in the country achieve that in their local elections.

There has been a lot of support expressed by the Opposition for petitions vis-à-vis referendums. While petitions are an important and useful device, they do not have the benefit of showing both sides of an argument or how many people are on either side of the argument. As the hon. Member for Lewisham East said, it is easy to get a few people to sign a petition, but it does not reveal whether a significant chunk of people in the community take a contrary view.

On whether a referendum should be binding, if large numbers of people vote for a proposition in a referendum, there will be a lot of pressure on the council to follow that viewpoint, unless there are very strong arguments as to why it should not seek to do so. My main objection to these amendments is that they miss the point on safeguards. The key safeguard is the percentage threshold. I am surprised that we have not had a debate about the 5% figure.

Barbara Keeley: We are coming to that.

Gavin Barwell: I know that we will deal with that later, but these amendments miss the point. If the percentage threshold is correct and several petitions cross that threshold within a year, there is no reason why there should not be several referendums, if enough people are concerned about an issue. Amendment 87 is a wrecking amendment, which would allow a council to disregard any petitions that were put forward.

The concerns about costs are misplaced. I can speak only in relation to my authority, but I can only think of one petition, in 12 years on the London borough of Croydon, which passed the 5% threshold. Croydon has an electorate of some 240,000, so a 5% threshold would need 12,000 electors to sign a petition. The Croydon example is relevant, because the Labour-controlled Croydon council chose to hold referendums on council tax in 2000 and 2001. It had a significant turnout, and although the referendums were not binding, the council followed the results of the referendums in both those years. In 2002, after the London borough elections, the Labour council proposed a 27% council tax increase. Surprise, surprise, we had no referendum on that. I am sure that the people of Croydon would have been grateful if the provisions my hon. Friends on the Front Bench are seeking to introduce in the Bill had been in place at that time, so that they could have done something about it.

12.15 pm

The hon. Member for Lewisham East raised two points of concern, on which I would like Ministers to reflect. One was in respect of planning and licensing applications, which does raise an issue. If a referendum were proposed on a particular planning application, there are issues about a potential delay in adjudicating that application. Clearly it would be difficult for the planning committee to proceed and give planning permission to something on which it knew there was a petition for a referendum. There are also issues about the quasi-judicial nature of those decisions. It seems perfectly reasonable to have a referendum on an issue that is a normal one for political discussion and debate in a council chamber. There is a difference in relation to planning and licensing applications.

Heidi Alexander: When we took evidence from external witnesses some uncertainty was expressed by representatives of house builders about the provisions of the Bill in this respect. Would the hon. Gentleman join me in asking Ministers to clarify this aspect of the Bill, that is, referendums in relation to planning applications?

Gavin Barwell: I agree with the hon. Lady. I think my colleagues on the Front Bench are keen to have these provisions apply to as wide a range of decisions as possible. We do not want to get into territory where the
Government are constraining things too much. There is an issue in relation to these two categories of decisions, where councils are exercising a quasi-judicial function, rather than the normal political decisions they take. The hon. Lady's second point was about the Greater London authority. The issue there is an authority covering a very large population, so the costs of holding a referendum are going to be considerable. Because the authority is strategic in nature, the budget of the authority is limited. The situation can arise where the cost of holding the referendum—

Mr Raynsford: The hon. Gentleman will understand—we have had discussions about it—that matters for which the Greater London authority is responsible, such as transport, have huge budgets. It is perfectly foreseeable that there could be a demand for a referendum on fare increases, either on the underground, buses or trains in London, and it would be very difficult to argue why there should not be a referendum on something of huge public concern such as that.

Gavin Barwell: I take the right hon. Gentleman's point. I think there is a slight difference between a referendum on an issue that is the responsibility of the Metropolitan Police Authority or Transport for London, which have much larger budgets, and one on a core GLA area of responsibility. I am not suggesting that we should preclude referendums in these areas. I would just like the Front-Bench team to look at the particular case of the GLA, which I think is different from other local authorities in some regards.

Mr Raynsford: On a point of order, Mr Amess. Will there be an opportunity for a clause stand part debate? If so, I will defer my remarks until then. Given the wide-ranging nature of this discussion, if you are going to rule that we have covered the issues without a clause stand part, I would beg your leave to make my remarks now.

The Chair: Order. I have been listening very carefully but I am still inclined to allow a clause stand part debate.

Mr Raynsford: In which case, I will make no further contribution to this debate.

Barbara Keeley: I think we have some further questions. I am finding it rather confusing, Mr Amess. We are not only having a clause stand part debate, but we are jumping about between clauses. I understand many members of the Committee are not used to that. A number of questions were just asked of the Minister; it is nothing to do with my reason, to keep hon. Members from continuing to press the Minister, but if the Minister does not want to respond I am afraid that is the end of the matter.

Andrew Stunell: I took that to be a steer. Clause 44 refers to the grounds for determination and raises various points that we might discuss in due course. Some members of the Committee have already referred to what they see as the Secretary of State's outrageous powers to decide what is and what is not an appropriate issue. This will not be a post-hoc thing—it will not be the case that the Secretary of State will find out that there is a petition on x and then decide that x is not appropriate. There will be a prior set of guidelines, which, as I have already described, will be drawn up, in consultation with local government and other interested and appropriate bodies, to determine what should and should not be included.

Members have rightly drawn attention to some of the issues that need to be considered in relation to planning and licensing, and to trans-London issues. I do not think that the Committee will be surprised to hear that we have received representations from the Mayor's office on that. These are all matters for further consideration.

Barbara Keeley: I think that the confusion results from the fact that amendment 87, which I tabled, relates to clause 44, and that has drawn us into a debate on that clause, whether we wanted it or not. Will the Minister respond specifically to the points raised by Sir Simon Milton, which I quoted earlier? My amendments have built-in safeguards, one of which is that a local authority should not have to run more than two referendums a year. The impact assessment’s assumption is that local authorities will run only one, so I do not understand why the Minister objects to an amendment for two.

Cost is another issue and it ties in with what Sir Simon said. He asked the Committee and the Government to build some kind of value for money or proportionality element into local referendums so that they did not find themselves running an expensive pan-London referendum on small issues. My amendments centre on cost safeguards and, given the cost of £5 million or £11 million, a response should be given to that point.

Andrew Stunell: The hon. Lady is absolutely right that amendment 87 relates to clause 44, and I apologise for not picking that up clearly. She proposes a strange provision, because the fact that the impact assessment assumes that, on average, there will be one referendum per local authority does not mean that there is any restriction. There might be three in one area. There might be a ward-based one or a borough-wide one. It would be wrong to give this opportunity to local communities and then say, “You are not time-barred or
issue-barred, but number-barred. Someone else got one in ahead of you, so you cannot have one of your own." I do not think that that is the right approach at all.

Barbara Keeley: If the Minister reads amendment 79, he will see that it relates to the grounds upon which a local authority “must” hold a referendum, one of which is that it will not have already run two in one year. It is, of course, always optional. As the Minister has said, good local authorities can run referendums if they want to, but they should not be forced to run more than two a year. That could cost, as has been mentioned, in the region of £150,000, £170,000, £250,000 or more.

Andrew Stunell: We do not accept that argument. We think that it is right for local communities to be able, within the safeguards and guidelines that we have talked about, to commission or requisition a referendum, provided that they have reached the threshold number. It should not be for the local authority to disqualify that on the grounds that it thinks it has done too many already.

There will still be petitions, and I would have thought that any prudent local authority would use the ones that came to its notice in order to judge whether it needed to reflect further upon the issues it was considering as a way of deflected, responding to or heading off the possibility of some referendums. There is a connection between the mechanisms, which I am sure a far-sighted local authority would take stock of.

I do not think that amendment 87 takes the right approach at all. The Government certainly recognise that referendums will cost money, and that local authorities will bear the cost of holding them. I repeat that we are committed to ensuring that additional burdens on local authorities are funded in accordance with the new burdens doctrine, which is long-established and much-used.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 15.

Division No. 14]

AYES
Alexander, Heidi
Dakin, Nic
Dromey, Jack
Elliott, Julie
Keeley, Barbara

Mears, Ian
Raynsford, rh Mr Nick
Reynolds, Jonathan
Seabeck, Alison

NOES
Barwell, Gavin
Bruce, Fiona
Cairns, Alun
Clark, rh Greg
Gilbert, Stephen
Howell, John
Lewis, Brandon
Morris, James

Neill, Robert
Ollerenshaw, Eric
Smith, Henry
Stewart, Iain
Stunell, Andrew
Ward, Mr David
Wiggin, Bill

Question accordingly negatived.

Barbara Keeley: I beg to move amendment 77, in clause 39, page 28, line 38, at end insert—

‘(6) A principal local authority must publish on the authority’s website, and in print, information on the duty to hold a local referendum and a guide for communities on the process for holding a local referendum, both to be in a format easily understandable and useable by communities.’.

The Chair: With this it will be convenient to discuss amendment 78, in clause 50, page 33, line 40, leave out ‘in such manner as it thinks fit’ and insert—

‘in print and online in a format easily understandable and useable by communities’.

Barbara Keeley: We do not need to spend long on the amendments, but they deal with an important point relating to communication to enable the local community to understand a new process. Amendment 77 would require local authorities to publish on their websites and in print an accessible guide for communities to the referendum process. There is a tendency—certainly at the Department for Communities and Local Government—to make things available only on websites. We must remember that not everyone in the population has access to the internet, even though many do. Amendment 78, which jumps ahead to clause 50, says similarly that the local authority should publish such a document in print and online in a format easily understandable and useable by communities.

Amendment 77 relates to the process. It involves a guide to referendums, so that local people understand them. It could help local authorities significantly, if people do not understand that there is a difference between petitions and referendums in that people must be locally based. Members have mentioned people standing outside railway stations and capturing rail users, but if those rail users happen to live in different places, that might not be appropriate, as a ward-level referendum includes only the people who live in that ward. The amendment could help local authorities avoid having to handle and check lots of petitions that turned out not to have the right signatures or not to be about a local matter. I hope that the Committee will support the amendments.

Andrew Stunell: I am sorry to disappoint the hon. Lady. We do not propose to support the amendments, as they place an extra duty on local authorities and prescribe the format for publishing information. The amendment seems to go back to the bureaucratic and cumbersome petitions duty imposed on councils by the Labour Government. What we are putting in place is a flexible and straightforward scheme which enables local people to have their say on issues that matter to them, and the Opposition are trying to spell out in detail exactly how that scheme must be run by local authorities. It tries to prescribe how local authorities should publish information and it removes local authorities’ discretion to publicise as they see fit. If a petition reaches the town hall with the names of 5% of the electorate on it, it is extremely likely that a very much larger proportion than 5% of people are fully aware of the fact that a petition is being brought forward. It seems to me that one of the lesser problems is going to be giving publicity to the existence of the petition, which will clearly relate to an important and significant issue if it has reached the 5% level, and probably the essential point to give publicity to is when the vote is going to be.

12.30 pm

Of course, anything that is published should be easily understandable and usable, but we do not believe that telling authorities how they do that is the right way to
go. Local authorities produce plenty of publicity on a very wide range of issues, nearly all of it is good and appropriate and they do not require legislation in order to get it right. Hon. Members have talked about trusting local government, about giving them freedom to get on with it; that is what the Localism Bill is about and we do not believe that these provisions contribute to that process at all.

Barbara Keeley: I am surprised, I have to say. I have detailed twice, but I think I need to say again, that the Secretary of State wants to take powers in this matter of a trigger percentage, deciding what is a local matter, whether the question relates to a matter he has specified, conduct, combination of polls, when or where voting is to take place and how votes are to be counted. If anything is telling local authorities what to do about referendums, this chapter of the Bill is telling them. As I mentioned last week, these amendments were put forward by a coalition of charities headed by Age UK and they are simply put to try to make sure that information is available to the community. We think that that is important, so we will push the amendment to a vote.

Question put, That the amendment be made.
The Committee divided: Ayes 9, Noes 15.

Division No. 15]

AYES
Alexander, Heidi
Dakin, Nic
Dromey, Jack
Elliott, Julie
Keeley, Barbara

NOES
Barwell, Gavin
Bruce, Fiona
Cairns, Alun
Clark, rh Greg
Gilbert, Stephen
Howell, John
Lewis, Brandon
Morris, James

Question accordingly negatived.

Mr Raynsford: That the clause stand part of the Bill.

Mr Raynsford: I want to talk a little about the clause as a whole, because I believe it is a clause that has been put together without sufficient thought. While the principle of referendum may be appropriate in certain circumstances, this has the hallmark of an unduly centralist imposition that will cause alarm and concern as well as cost to a significant number of local authorities. That view has been articulated on both sides of this Committee. The hon. Member for Bradford East has expressed his concerns against the wider interests of the local authority area as a whole. Residents in one or two wards may hold a strong point of view that is not shared by those in the whole local authority area. Because of the scope for holding referendums not just on the basis of local authority boundaries but within individual polling districts or wards, the danger is that we could end up with some unsatisfactory outcomes. Particular vocal groups may campaign on one cause, and although the local authority and the residents in the whole area may take a different view, they would not be able to articulate it fully because the referendum would be held only in that narrow area.

There is the potential for whipping-up feeling on unpopular causes. We have referred in the past to issues such as the location of incinerators, or the creation of necessary social provisions such as hostels for people who may not be terribly popular in the community—those with alcohol or drug abuse problems, for example, or with similar issues. There is scope for divisiveness due to referendums that are used by small interest groups against the wider interests of the local authority area as a whole. As the hon. Member for Bradford East pointed out, that can undermine the position of local councillors who are elected to represent their area. It is not a magic bullet or a universal benefit. There are potential difficulties.

Mr Ward: One of the consequences of moving forward with this provision is that it could take away a differentiating factor between good councillors. I am sure that the hon. Gentleman as a constituency MP, and many others who have been councillors, constantly survey local residents over and over again. One could say that that is a referendum. It is a way of finding out about local views on local issues that affect people. It is an effective and cost-effective way of finding out about local opinion.

Mr Raynsford: I agree with the hon. Gentleman. I add the caveat that I do not issue “Focus” leaflets although I use other means of adopting the connection with my electorate. However, the principle that a public representative should engage in regular communication with their constituents in order to ascertain their views
and get feedback is right. Local councillors who do that are engaging properly with the public, and we should encourage such provisions.

The Minister's defence was somewhat shaky. He argued in the context of amendment 79 that the petitions could help alert local authorities to issues that might subsequently be the subject of a referendum. I think that I cite him correctly. If that is so, why on earth are the Government saying, "petitions bad" and removing the duty to respond to petitions, "referendums, good" and imposing a duty to hold them? That has all the hallmarks of an ill-thought-out clause that has been shoehorned into the Bill because of the slightly bizarre year-zero assumption that everything done by the previous Government was wrong and that everything done by the new Government will be right.

I am sorry to disillusion Government Members, but the Minister articulated this view himself at one stage: the reality of constitutional change is that we learn gradually, we make changes, and we do so in an incremental way. For heaven's sake, we should be saying that there is scope for the use of referendums in certain circumstances, particularly on important constitutional matters when people should be consulted. However, referendums are not problem-free, and other mechanisms can help in the process, including the petition.

We should not be pushing through a partisan measure that does not command the support of all Government Members in the House. We should be giving further thought to how referendums can help to engender greater public involvement. We should also consider how to refine the petitioning process to ensure that it can make a contribution. We should consider other ways of encouraging communications of the sort that the hon. Member for Bradford East rightly identified, although that should obviously be left to the local representative. We should not be issuing diktats on that front. The approach of an intelligent Government would be to improve public participation, realising that it would not be right to impose it from above with central diktats saying that certain things had to be done.

If the clause is subject to a Division, I hope that the Committee will vote against it. That will give the opportunity for more constructive thought on how to advance an agenda that I suspect all of us believe in—how to enhance local engagement in politics, how to improve the quality of local democracy, and how to do it without imposing unreasonable burdens.

**Andrew Stunell:** I thank the right hon. Gentleman for his contribution. I would probably agree with something approaching 50% of what he said. He erected something of an Aunt Sally, and had a good go at it, but he was obviously right to say that it is not a magic bullet.

The heart of the Localism Bill is not about introducing non-binding referendums. It is about turning power—how to enhance local engagement in politics, how to improve the quality of local democracy, and how to do it without imposing unreasonable burdens.

The right hon. Gentleman asked whether referendums had been effective in reinvigorating local democracy. If one distinguishes between acute and chronic, it has to be said that in Greater Manchester the referendum had a dramatic effect, with higher turnouts than were achieved in local government elections throughout its 10 metropolitan boroughs. My hon. Friend the Member for Croydon Central mentioned referendums in Croydon; again, there was a substantial turnout.

We do not claim that it is a one-size-fits-all magic bullet. It is not imposed on communities. It is an opportunity for communities to take. The extra provision that seems to have really aggravated Opposition Members is not the referendums duty, but the possibility that referendums might be generated by local residents rather than by town halls. Surely, they can see that it is appropriate for local residents to have the capacity to commission the referendums, instead of them simply having a process dumped on them by their councils when they consider there to be an issue to have a vote on and other matters are ruled out.

12.45 pm

The right hon. Gentleman also said that he was concerned about the difficulties there would be with sectional interests and wards voting one way and council areas another way. That is so different from petitions is it not? One goes out to collect a petition and the only people one encounters are those in favour of whatever issue is on the petition. The other people just walk by and do not sign or say anything because there is not a petition against that very issue. The sectional interests problem exists—it is real and I do not dismiss it—but it is just as real for a petition as it is for a referendum. In fact, I suggest to him that it is rather worse.

Of course, there is a link. A responsive council that has councillors who are fully engaged with their communities and who take those concerns into their councils will find that it gets fewer petitions and probably no requests for referendums. That is because there is an easy passage for community concerns through locally elected representatives to a responsive council. The problem, which I am sure the hon. Member for Worsley and Eccles South would not deny, is that we might put a different coloured badge on the politicians concerned, but we all know that, in different places, that ideal model does not exist. There are gaps in the representative links between the community and councillors and, indeed, between councillors and the town hall. That is when petitions will get written and requisitions made for referendums. If one effect of our provision is that local councils will work harder to be more responsive to avoid having referendums, surely the Opposition can see that the provision is worth while. I urge the Committee to support the clause.

**Barbara Keeley:** I will try to be brief. I shall return to the context. As we take the measure forward, we need to think about the context because it is so important in terms of the costs and the need for safeguards. As my hon. Friend the Member for Birmingham, Erdington said, it might be that some hon. Members are not in this situation—I am sure that the cuts that my hon. Friend was talking about are not the main topic down the local pub in Tunbridge Wells—but the context of the measure is the cuts this year, next year and for many years.
People are losing their jobs, facilities are closing and the services that people value are being cut back. That is the issue. When local referendums are introduced, many of our local authorities will be living with that situation all the time.

Brandon Lewis: Will the hon. Lady give way?

Barbara Keeley: No, I want to make some progress. The Minister talked about having a responsive council, but local referendums will not just be triggered by empowered citizens; they will be triggered by councillors. That mechanism is also there. Referendums could become a constant running battle. Every council has some opposition. Sometimes the opposition is very difficult to handle; for example, there are minorities from political parties that none of us would be particularly comfortable with.

Andrew Stunell: May I draw the hon. Lady's attention to the fact that a petition request from a group of councillors still has been signed off by a majority of the council. A referendum is not called automatically.

Barbara Keeley: I understand that. With the difficult cuts agenda, I can foresee a situation where local authorities will be in a constant new battle about having a referendum on this cut, that cut or the other cut. I reiterate that the Opposition are not against local referendums in principle. However, I am disappointed that the Government are not listening to any arguments about the need for safeguards, or to our concerns. We have reiterated the substantial concerns of people from outside about costs and the need for safeguards.

I shall return to the matter of the Secretary of State's powers to regulate. No details on how that will work are available to the Committee. The Minister is saying what I described last week as, “It will be okay, because we say it will be okay,” and that is not good enough. Unless he is prepared to give assurances that it will not be a costly burden, and that there will be some safeguards—and details of what the safeguards will be—we will vote against the clause, because Ministers need to be more prepared to listen. We have further debates on local referendums, but the Minister must be prepared not simply to reject every amendment but to consider some of the sensible things being proposed. Even if the Minister does not like all the detail, if there is merit in them he could take them away and think about them. We cannot have every amendment spurned as not needed with something so untested.

Question accordingly agreed to.

Clause 39 ordered to stand part of the Bill.

Clause 40

Petition for Local Referendum

Stephen Gilbert (St Austell and Newquay) (LD): I beg to move amendment 123, in clause 40, page 29, line 10, leave out subsection (2).

The Chair: With this it will be convenient to discuss the following: amendment 81, in clause 41, page 30, line 2, leave out ‘5%’ and insert ‘10%’.

Amendment 82, in clause 41, page 30, line 3, leave out subsection (2).

Amendment 83, in clause 41, page 30, line 3, leave out ‘or lower’.

Stephen Gilbert: Amendment 123 takes away from the clause the ability of the local authority to vary the percentage at which a petition has been duly signed by electors is accepted. I do not intend to delay the Committee for long. I have two observations to make. This might be a slightly techie point and I may have misunderstood it, but I do not think the clauses need it in the sense that, as the Minister has already told us, the council will be able to choose to have a referendum by a majority of councillors pushing for one, so we do not need to have the alternate provision that they can choose to vary the number of electors within the percentage that is deemed to be the trigger threshold. They can simply get on and do it. Will the Minister tell us whether the powers already exist in another part of the Bill to achieve what clause 40(2) is trying to achieve?

That is the techie point. My second point is slightly more abstract. It does not seem right that if we establish a threshold, we can then, on the other hand, ignore that threshold. The right hon. Member for Greenwich and Woolwich gave us some examples when talking about waste disposal and situations for homeless people or recovering drug addicts. I can imagine situations where it will be in the local authority’s interest to produce a referendum that might not necessarily be in the interests of the local community, and therefore the local authority may choose to put a question to people in a specific area to pursue a particular course of action with a lower threshold of signatures than the people in that area would need to trigger their own referendum under the 5% threshold. As it happens, I share some concerns about whether 5% is appropriate, but I believe we will come on to that later.

Particularly when taken with clause 50, subsection (2) gives the local authority a huge amount of power and influence in debating and setting the context for a referendum to achieve its end. Clause 40(2) allows the local authority to vary the trigger point, and clause 50 allows it to take part in all sorts of promotional activity to support a particular view in the referendum.
I agree with what my hon. Friend the Minister said: local people should be commissioning, petitioning and requisitioning referendums rather than local councils dumping referendums on them. My concern is that because the provision allows for an unequal threshold, in a sense, the local authority can trigger a referendum that may be in its interests but is not necessarily called for by the majority of local residents.

I shall finish with a couple of questions to the Minister. First, am I right to say that the subsection is redundant because other powers in the Bill in effect allow the council to do what the subsection seeks to achieve? Secondly, what is the point of having a number in one place that can be ignored in another? Will he enlighten me further on the Government’s thinking on those issues?

Barbara Keeley: Amendments 81 to 83 are grouped. The hon. Member for St Austell and Newquay has been discussing the question of the trigger level. Amendment 81 changes the required percentage from 5% of the local electorate to 10%, which seems to be a better figure. On the question of the powers to change the trigger threshold, which the hon. Gentleman spoke about, amendment 82 removes the Secretary of State’s power to change the trigger threshold through secondary legislation, and, as an alternative, amendment 83 allows the Secretary of State to increase the threshold but not to lower it. It seems strange for a Bill to specify a figure, when there is a power to change it and a power for councils to ignore it. It is rather messy.

Brandon Lewis: Will the hon. Lady clarify something? There seems to be inconsistency here. When the Labour party was in Government, it set a threshold of 5% for the mayoral referendums. Why does she feel that 5% is not appropriate for referendums now when her Government passed it for mayoral ones?

Barbara Keeley: I think that there were various referendums. I was a councillor in Trafford, and we have a grammar school selection system. The trigger level for a ballot on the grammar school system is 10%, so different levels are attached to different things. Due to a view that people ought to be able to express an opinion on governance, it was set at 5%, but other things have been set at 10%, such as a parental ballot on selection. Amendments 82 and 83 offer two different ways of saying that the Secretary of State should not be able to lower the threshold, because in our view 5% is too low anyway.

I return to the points made on a number of occasions about the financial context. I spoke earlier about it costing £70,000 to £250,000 for a borough-wide referendum. That was the figure from the Department. However, the cost of a ward or a smaller level referendum has not been discussed or thought about. I have seen estimates of council by-elections costing £20,000 to £30,000, so the cost will probably range from £10,000 to £30,000 depending on how big the area is. When he replies, I hope that the Minister can tell me what the estimated cost is. What does the Department think it will be? At ward level, in my constituency, a 5% petition to trigger a referendum means 400 signatures. We have heard Members say—most of us, particularly those who were councillors, understand—that it is not hard to get 400 signatures on a local issue. I have been at meetings where 400 people turn up, so we could simply get people at a meeting to sign a petition for a trigger. A 10% threshold would mean 800 signatures at ward level in my local authority and about 22,000 across the authority.

Stephen Gilbert: Does the hon. Lady accept that there is a trade-off between the threshold at which the trigger is set and the obligation—or lack of obligation—on a local authority to have the referendum?

1 pm

The Chairman adjourned the Committee without Question put (Standing Order No. 88).

Adjourned this day at Four o’clock.