

Isitfair

Council Tax Reform

A non party political nationwide campaign

Meeting with the Conservative Party

Wednesday 24 June 2009 at Portcullis House, Westminster

Present:

Mrs Caroline Spelman MP	Shadow Secretary of State for Communities and Local Government
Mr Simon Cawte	Chief of Staff
Mrs Christine Melsom	Isitfair
Mr Michael Boon	Grey Hairs Ltd, Consultants for Isitfair
Mrs Janet Kelly	Isitfair (taking notes)

1. Returning Power to Local Communities

Firstly we informed Caroline that we had read the Conservatives' Policy Green Paper on returning power to local communities and had taken note of its contents. Much of what she had to say today is spelled out in the Green Paper.

- ♦ A Conservative government would freeze council tax for two years, bearing in mind that if the election takes place after precepts have been fixed for the year 2010/11, this could not take effect until 2011/12 and 2012/13. The proposal is not quite as straightforward as it appears at first sight.

"In the first two years of a Conservative government, councils will also have the ability to contract with central government to freeze council tax. Those councils that take up the contract will have to undertake to hold the rate of rise in council tax to 2.5 per cent or less; and central government will correspondingly undertake to make a payment (found out of savings in central government advertising and consultancy budgets) equal to 2.5 per cent of that council's council tax – so that bills can be frozen in each such council for the two year period."

Although we welcomed this, we regard it as a first step. We pointed out that it was cold comfort to those who already pay vastly too much. We asked what was planned after the two year freeze. A number of proposals were mentioned, all of which appear in some detail in the Green Paper.

- ♦ Use of referendums. *"We will end Whitehall capping powers and give local residents the power to veto high council tax rises via local referendum."*

Caroline's view was that this mechanism would hold down council tax rises. She pointed out that the point at which precepts had been capped in recent years was well over the inflation rate. (We were handicapped by lack of time, and did not voice our concern, which could perhaps be construed as a trifle unsympathetic, that human nature being as it is, those who do not pay council tax would skew any vote in favour of all the services they could get.)

- ♦ The Conservatives would give local authorities a new discretionary power to levy business rate discounts.
- ♦ They would enable local authorities to benefit financially when they deliver the housing that local people need.
- ♦ They would give local authorities the right to retain the financial benefits arising from new business activity in their areas.

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Isitfair

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- ♦ The local government funding settlement would be simplified and transparent. They plan to rid local government of unfunded burdens.

All this, Caroline insisted, would take time. We were unsettled when she mentioned that some of the reforms would need a second term of office.

Christine pointed out to her that Isitfair members were angry and impatient. We drew attention to the anomalies caused by the current banding system and biased grants. We mentioned the consequences of the one size fits all banding system: a Band A property in one area of the country would most likely be a mobile home, in another it could well be a two or even three bedroom terraced house; a Band D property in one area could be a modest semi, in another it could be a virtual mansion. Caroline seemed to think this was the responsibility of the VOA, and voiced the opinion that this organisation was in need of reform. We suggested that regional banding might help.

Christine mentioned the huge discrepancies in grants, that the low grant per head for the county of Hampshire, for example, reflected current policy of punishing efficient councils. Caroline said that this was unfortunate but thought that the ultimate solution was for the less efficient, high spending councils to improve. We said that this was not necessarily a north/south divide, but it was generally the shire counties of England who have suffered the most. She agreed that the grants had been manipulated to favour some authorities over others, and this would be addressed by giving the Independent Audit Commission a duty to report to Parliament each year on the draft Local Government Finance Settlement, on whether the basis for allocation is transparent and in accordance with objectives.

Caroline mentioned that only 25% of local government funding comes from council tax. We said that we believed this figure to be out of date and, in any event, it is the average and therefore very misleading. In some areas of the country it is much higher, in others much lower. Work is in progress to produce some up to date figures.

We handed over some figures provided by an Isitfair member in Dorset which showed the proportion of the basic state pension taken up by council tax and comparing the situation in 1993/94 to now. It appeared that the council tax figures brought home to her just how huge the increases have been, in some areas more than others.

Note: If anyone is interested in comparing then and now, this is a very good source:
<http://www.local.communities.gov.uk/finance/ctax/data/ctaxtimespd.xls>

We asked Caroline to investigate the information provided by an Isitfair member in Northern Ireland that the ceiling on savings in respect of Rates Relief, presumably the equivalent of Council Tax Benefit, has been raised to £50,000. Christine drew attention to the out of date formula used by the government which leads to the £16,000 ceiling here, to Sir Michael Lyons recommendation that the limit be raised to £50,000 and eventually phased out, and to the fact that the Commons Select Committee had agreed. The Government, of course, did not agree. We handed over details of the question on the subject of the savings ceiling asked at PM's questions on 10 June by Sir Robert Smith (LD) MP for West Aberdeenshire and Kincardine.

We mentioned the Local Government Pension Scheme and drew attention to the latest figures released by Hampshire County Council revealing a fund net deficit of £727,570,000, up from £440,310,000 at 31 March 2008. We drew attention to the employer's contribution (ie the taxpayer), now approaching £3 for every £1 of employee contribution. Caroline agreed the current system is unsustainable and that reform is essential for new employees but thought it would be difficult to change the arrangement for the current

Isitfair

Council Tax Reform

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workforce. Michael said that he would have thought that the current scheme could be frozen for all, and a new scheme implemented.

Brief mention was made of the unpopularity amongst councillors of the cabinet system in local government. Caroline said that Conservative policy would enable a reversion to the committee system if that was what was wanted. There would be no compulsion.

Michael Boon handed over a copy of some notes made for this meeting which basically questioned whether we have any meaningful local democracy and, if not, then “what should we do about it?” His notes included the results from two recent surveys of Isitfair membership.

- ◆ First, exploring how much (or as it transpired, how little) our members knew about their councillors. Caroline was especially interested in this. We discussed the double hatting phenomenon, and the resistance shown by some councillors to be open about how many public bodies they served on.
- ◆ Second, showing inter alia that the vast majority of those who responded believe that local taxation should only be used to pay for things that are decided locally.

2. Additional Documents provided

Michael Boon’s earlier papers [Mending Local Democracy](#) and [Fairness and Localism](#).

[Providing Services](#), a paper submitted by an Isitfair member in Scotland.

“Council Tax – Why it is broken and how to reform it”. A paper submitted by a Pensioners’ Forum in Somerset, also Isitfair members.

We pointed out that these are suggestions made by our members and are not necessarily the policy of Isitfair.

3. Conclusions

We would have liked to have come away with something more concrete and more immediate but, to be fair, if the Conservatives want to return to power they have to attract votes from areas of the country which don’t fare too badly under the current system (turkeys and Christmas come to mind). They recognise, surely, that there are other areas which have suffered greatly and we must make sure they don’t forget this, but – however hard we try - they are not going to say the unfairness can be corrected overnight. Furthermore, they are obviously not going to publish any more detail until it comes to manifesto time.

We would have appreciated more time at this meeting.

The Green Paper referred to can be found via the [Isitfair website](#) or the [Conservative’s website](#).