

Isitfair

Council Tax Reform

A non party political nationwide campaign

Meeting with the Coalition

Monday 1 November 2010 at Portcullis House, Westminster.

Present:

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| Mr Bob Neill MP | Parliamentary Under Secretary of State at DCLG |
| Mrs Christine Melsom | Isitfair |
| Mr Michael Boon | Grey Hairs Ltd, Consultants for Isitfair |
| Mrs Janet Kelly | Isitfair (taking notes) |

1. Parish Councils

We drew attention to the situation in which over the past few years District Councils have been offloading a number of their non-statutory duties to Parish Councils whilst retaining the money they would have had to spend on these duties. It is plain that this has been done purely to avoid capping by central Government. We are becoming increasingly concerned that this practice will become more and more prevalent as the inevitable cuts "kick in".

We handed over Mike Schofield's report on this subject which appears on the Isitfair website.

We assured Mr Neill that we were, of course, aware that parish/town councils do not receive grants from central Government. He said that it followed that parish council precepts could not be "capped" by central Government. He also said that it was up to the parish councils whether or not they took on these non-statutory duties.

A point which we did not have time to make: It has until recent years been the norm for the parish/town council precept to be the smallest entry on our council tax bills. This is not now always the case. Some of our members report that their parish precept has overtaken that of the Fire and Rescue Authority, and in a number of cases it has overtaken that of the District.

2. REFERENDUMS

We were informed that no decision had yet been made on whether a parish/town council would be subject to a local referendum if their precept increased substantially. The criterion would have to be "pounds and pence" rather than percentage.

We emphasised the point that in our consultation with Isitfair members on the Referendum proposal, 87% strongly agreed with the statement, "Only those who actually pay Council Tax should be entitled to vote in any referendum on the level of Council Tax to be charged. Electors who do not pay Council Tax, (or receive 100% Council Tax Benefit) should be excluded from such consultation." The reception for this was rather lukewarm, and we suspect that it is considered that to include only people who actually paid council tax would create too many administrative difficulties.

3. COUNCIL TAX AND GRANTS

Mr Neill agreed that the tax is too high, but drew attention to the recent government proposal to enable a "freeze" for one year by those authorities who chose to take part. It had been hoped to do this for two years but this was not possible in the current financial climate.

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There is no doubt that the Government acknowledges that the council tax system over the past ten years has lost sight of some of its original principles. The following was included in the papers handed to Mr Neill:

On 21 March 1991, Michael Heseltine introduced the House to the principles to be applied to the new tax which we all know now as council Tax. Amongst these principles was this:

"The system should ensure that regional variations in property values do not lead to disproportionate bills in high price areas." And this:

"Fairness. Nobody likes paying taxes. But in our society taxes have to be basically acceptable to taxpayers; and to achieve that they must be perceived to be fair."

Formula Grant has been used to reward (or punish!) some areas of the country over others. Our research shows that the Shire counties have suffered substantially.

The consultation on Formula Grant Allocation ended last month, and **we were assured that work is in progress to improve the current situation.** Mr Neill said that another Local Government Funding Review was planned.

Isitfair always aims to be constructive, and Michael spoke briefly about his paper on:

(1) [Central Government Grants](#) which outlined his suggestion that it would perhaps make more sense to base any Central Government grants to Local Authorities on the basis of the incomes of the residents of those Authorities, than basing them on property prices. Eric Pickles had previously shown interest in this and we were a trifle disappointed that Mr Neill more or less dismissed it as overly complicated.

(2) Referenda and Council Tax Benefit.

A copy of this paper follows later in this document..

Michael said that it would be helpful if he could be put in touch with the department's researchers, but this was refused. However, Mr Neill said he would be quite happy to receive any documents that we produce in the future.

4. COUNCILLORS AND ALLOWANCES

We have over the years become aware that some councillors are in receipt of multiple allowances: perhaps County, District, Fire and/or Police plus Development Agencies (soon to go), LGA, APA, National Park authorities. The more we look, the more we find, often quite accidentally in the course of unrelated research. We wonder, seriously, how these people can find the time needed to give all these appointments the attention they deserve!

We included a spreadsheet showing details of allowances paid to Hampshire county councillors, but emphasised that we had brought this merely as a flavour of what we know from our research is happening not just in Hampshire but across the country.

Although we believe that councillors should be required to divulge basic details of their "day jobs", we do not believe that they should be obliged to disclose their earnings from that source. **We can see no reason at all, however, why they should not be required to disclose, in an easily accessible place, preferably on line, full details of how much they draw in total from the public purse.**

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Mr Neill considered this could place an unacceptable burden on council staff and that only a few people were interested anyway. We said that councillors should be enabled to do the job themselves. (*Because the general public is on the whole unaware of the situation it does not mean that they are not interested!*)

5. LOCAL GOVERNMENT ASSOCIATION (LGA)

This is just one of the organisations involved in the transfer of vast amounts of taxpayers' and council taxpayers' money from one pocket into another.

Subscriptions (from over 400 member authorities) 2009/10: £14,450,000. **Tax payers' money**, paid from councils' budgets.

Allowances to be paid to **councillor** members 2010/11: £993,213.

139 staff – salary bill: £7,413,366. Pension payments: £1,546,354. Chief Exec believed to be paid £245,000.

Mr Neill said LGA membership was voluntary (his local council had withdrawn). He had dealings with the LGA and had no problem with them.

6. LOCAL DEMOCRACY

We touched briefly on this. The low turnout at elections is depressing. A member has suggested that an election be declared null and void if turnout was less than 50%.

We think there are too many councillors. Mr Neill claimed that he/parliament could not instruct the Electoral/Boundary Commission to increase the size of Council divisions.

*However, the government has **already** promised to reduce the number of MPs and to make parliamentary constituencies equal in size. If they can do this for Central Government, then why can they not issue the same guidelines/instructions with respect to Local Government?*

To return to the issue of parish councils, do we really want them? Judging by the abysmal turnout at election time, we have begun to wonder. It would appear there is a process in place to get rid of parish councils if residents no longer want them, but we gained the impression today that this issue is not one for Mr Neill's department.

7. GENERAL

We unfortunately ran out of time but assume that either Bob Neill or his officials will take a good look at the papers we handed over to them. Amongst these were the following which were either not discussed at all, or covered only briefly:

Extravagance in Local Government with pieces entitled "The Chief Executive – is this post really necessary?"; "Non-Jobs"; "Staff Perks". Not discussed.

Campaigning for Reform – A blast from the past. See **3. COUNCIL TAX AND GRANTS** above

Anomalies; Wandsworth and Westminster council tax. Why is it so much less than everywhere else? Not discussed.

Council Tax and Student Abuse. This was a late addition.

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Notes on the proposed reforms to the State pension. Another paper by Michael Boon, also a late addition. It was mentioned during the meeting but appeared to be a subject more appropriate for the Department of Work & Pensions.

(All these documents are available either on the Isitfair web site, or from me. Christine.)

POST MEETING REVIEW

We felt this was not one of our most successful meetings. We also feel that it took place too soon in this Parliament and it would have been better to wait until Mr Neill had more time to give us. We believe we got our points over insofar as the unfairness of the grants, but it would have been so much better had there been time for Michael to go through his paper and explain it in more detail.

There remains a great deal of confusion amongst our members on capping and referenda as far as parish councils are concerned and we request clarification.

Clarification letter received from Bob Neill's Office

Dear Mrs Melsom

As you know, Bob Neil MP has forwarded your email of 8 November, asking for clarification of the situation of town and parish councils in respect of council tax referendums following your meeting with him on 1 November to me to reply.

You particularly ask for clarification about capping. The referendums provisions will replace the use of the present central capping powers as part of the Government's wider programme of decentralising power to local communities. Subject to Parliamentary approval, the necessary legislation is expected to come into force from 2012-13 onwards. For this reason the Government reserves the right to take capping action in 2011-12 should this be necessary. You will be aware that the current capping legislation does not apply to town and parish councils. However, the Government is nevertheless urging town and parish councils to exercise restraint and seek to ensure that council taxpayers are not faced with increased bills in 2011-12.

As set out in the consultation document, the intention is that parish and town councils should be included in the new referendum provisions subject to a de minimus threshold. This threshold will exclude such councils where either the increase in the basic amount of council tax is below a defined amount or where the total income generated is below a fixed level. It is anticipated that this will exclude the majority of smaller towns and parishes from the referendums provisions.

The threshold will be subject to principles proposed by the Government each year at the same time as the provisional Local Government Finance Report is published. These principles will be subject to consultation alongside that on the provisional Report, and also to final approval from the House of Commons.

You also mentioned in your email of 8 November that ISITFAIR members overwhelmingly support people who are not paying council tax, not taking part in any referenda and you ask for comments on this point. The Government intends that everyone who is on the electoral role will be able to vote in a referendum as is the case for local and national elections. All residents access or use local services in some way or other and the Government believes that they are entitled to a view on the level of council tax increase proposed, and on the overall service provided by authorities.

I hope that this is helpful to you.

Yours sincerely

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Bearing in mind what has been said in this letter, and the results of our survey – 87% of you said that only those paying council tax should vote in any referendum on the level of council tax – I suggest that you write to your MP and make your feelings quite clear on this point.

NOTES FOR MEETING BETWEEN
BOB NEILL
AND
ISITFAIR

Michael Boon, October 2010

Central Government Grants

- Council Tax is unfair in the sense that people in very similar financial circumstances pay very different amounts of Council Tax. This is mainly dependent upon **which** Local Authority they live in.
 - While the use of property values is not ideal to determine what share of the burden any household should pay, it does work reasonably well **within** each Local Authority
 - However, it does not work at all well **between different** Local Authorities.
 - This is because the shape of the income distribution is different from the shape of the property price distribution – and there are many Local Authorities where the price of properties, and hence their banding, is out of line with both average and median incomes.
- Council Tax bears very little relationship to council spending - the highest spenders often have the lowest Council Tax, and *vice versa*.

On this basis, it would make more sense to base any Central Government grants to Local Authorities on the basis of the incomes of the residents of those Authorities, than basing them on property prices.

Any change from the present system would probably have to be gradual, so as to avoid any sharp shocks to those who would lose out. However, we note that the previous government did not take this into account when they changed the system for 2003-04 and onwards!

Referenda and Council Tax Benefit

- In general, Isitfair members have reacted positively to the proposals for requiring referenda to approve “excessive” Council Tax rises.

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- However, we are concerned that those who do not pay Council Tax will find it in their interests to vote for “excessive” rises which don’t cost them a penny – but which such “excessive” rises will allow them to receive extra Local Authority services at other people’s expense.
 - There are two ways around this problem. First, one could restrict voting in such referenda to those who actually pay Council Tax. Second, we could abolish 100% Council Tax benefit and ensure that everyone pays something towards the cost of local services. This would help to reduce the Central Government fiscal deficit!
 - It seems a little strange that Central Government, which finances Council Tax Benefit, should allow Local Authorities to charge “excessive” Council Tax where there are large numbers of recipients of Council Tax Benefit in an Authority!
 - In this context, it would seem sensible to pay any CTB according to some “approved” or average value for properties in a particular band. This would give those residents in receipt of CTB an incentive to vote for more frugal Local Authorities.

However, there are some problems with any use of the electoral system to restrict Local Authority spending:

- An examination of local election results has shown that there is no statistically significant difference in terms of council tax rises between councils where there is a change in control and councils where no change of control occurs.
 - This is true both for council tax rises prior to the election and those subsequent to it
- There is no statistically significant correlation between the balance of funding in a local authority and the turnout at local elections for that authority
- Local authority spending is almost entirely determined by central government. Local authority spending can be predicted by a statistical model whose only inputs are parameters entirely determined by central government
 - As a result, council tax is largely determined by central government also
- Before referenda are likely to work, there needs to be much more Local **autonomy** than there is at present.
 - We note that the predictions of very local spending, (i.e. by District Councils), are less accurate than the predictions of total Local Authority spending, (i.e. including County Councils, Fire and Police Authorities), on the residents of those districts. Smaller authorities appear to be more responsive to local concerns, and less controlled by central government than larger authorities

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- In general, there appears to be a common problem associated with highly progressive tax systems. Those who pay (say) only 25% of the cost of the services that they receive still get a very good deal even if those services cost twice as much as they ought to! They therefore have an incentive to vote for such services – however inefficiently they might be provided. Obviously, this leaves others to pick up the tab for inefficiency
 - Council Tax is often thought to be a regressive tax. However, on the national scale, it would appear to be mildly progressive at incomes below the median and mildly regressive on higher incomes.
 - Making Council Tax more progressive, (for which many people argue), would actually increase the unfairness of the system – sine the unfairness affects those poor people living in Local Authorities which receive very little by way of government grants but where low banded property is very scarce.