

## Women's Budget Group "Commission on policies for a Gender Equal Economy"

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### Local Taxes

Any paper about local taxes must start by recognising the deep cuts that have been made to local government expenditure and the impact this has had, particularly on women.

By 2017/18, UK local government expenditure had fallen by 19 per cent in real terms compared to 2009/10<sup>1</sup>. Much attention is focussed on the caring role of women and the impacts of these cuts on social care (both care for children and for adults and the elderly) and youth services. The cuts here have been very severe and have had a significant negative impact on women. But in fact it is neighbourhood services that suffer the most as local authorities seek to meet their statutory requirements on social care. Local authority spending on neighbourhood services across Great Britain has fallen by 27 per cent between 2009/10 and 2017/18<sup>2</sup>.

While the gendered impact on neighbourhood services is not as obvious as the cuts in social care, it is very significant. The deepest cuts (27% over 5 years from 2012/13<sup>3</sup>) have hit sport and recreation particularly affecting both the cost and the availability of services for children, the disabled and the poor. This reinforces the difficulties for carers and the lack of opportunity to access sports impact on women's health. Regulatory services and community safety (22 per cent cuts over the same 5 years<sup>4</sup>) have reduced trading standards, food and water safety, environmental protection, noise and nuisance, crime reduction and CCTV. All this means more stress and higher illness in poor areas again particularly affecting women and children. The arts and community services saw 18 per cent cut over these years<sup>5</sup> resulting in library cuts, cuts to the voluntary sector and reduced community support services.

Furthermore the impact of the cuts has been uneven with areas with the greatest deprivation suffering the most as local authorities become increasingly dependent on local taxes. The variation on the cuts has been huge. Most authorities ranged between a

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<sup>1</sup> Josh Holden , Peter Kenway (31st Jul 2019) *Neighbourhood services and sustainable local government*

Commissioned By: Association For Public Service Excellence (Apse)

<sup>2</sup> ibid

<sup>3</sup> ibid

<sup>4</sup> ibid

<sup>5</sup> ibid

reduction of 36% and an increase of five per cent. The most extreme examples went far further with spending down by two thirds in the worst case and up by one third in the best<sup>6</sup>.

Core spending power (CSP) is the sum of a local authority's council tax, revenue support grant, other grants from central government and retained business rate income. Since 2010, council tax has represented an ever-growing share of CSP. With grants from central government continuing to fall, 88% of CSP will come from two taxes – council tax and business rates – by 2019/20. The share ranges from 84% for London and metropolitan districts to 93% for counties. In 2010/11, English local government got £12 billion more from central government than the total amount it collected through council tax and business rates. By 2019/20, locally raised taxes exceed CSP by £7bn – in effect, a 'reverse' subsidy, of central government by local government<sup>7</sup>.

So any review of local taxes needs to start by calling for local government spending to be restored to a minimum sustainable level after which its growth must be linked to the growth rate of the economy. In his Spring Statement, the Chancellor of the Exchequer held out the prospect that the 2019/20 Spending Review would mark the end of a decade-long period of austerity for public spending. Over the five years beginning in 2020/21, public spending would rise in real terms (that is, after inflation) by 1.2 per cent each year. Set against what local government has experienced since 2009/10, this would be a welcome but it is not enough. Only when spending is fully restored will austerity for local government truly be over. Secondly any local tax system should not contribute to central government funds, the reverse subsidy is unacceptable. Instead it is essential that there is revenue support for local authorities in deprived areas (who will never be able to raise as much from local taxes as rich areas) from Central Government based on need and in any definition of 'need' the gender dimension will be central. These two principles are far more important than whether we go for a land tax, council tax, rates system, business rates or other local taxes or charges like a tourist tax, congestion charge or payment for waste collection.

Council tax has become the main local tax. Council tax is a hybrid tax partly related to the number of people in the household and partly related to the capital value of the property. Since 2017, an additional 292,000 people (a statistically significant increase of 3.8%) aged 16 years and over are estimated to live alone bringing the total number of one-person

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<sup>6</sup>Peter Kenway, Carla Ayrton (24th Oct 2018), *Hollowed out: The impact of financial localisation on neighbourhood services* Commissioned By: Association For Public Service Excellence (Apse)

<sup>7</sup> *ibid*

households to just over 8 million (15% of the UK adult population) in 2018<sup>8</sup>. In 2019 the figure went up again to 8.2m. The link to the number of people in the household is important for women as there are more single pensioner women households, although under 65 there are more men living alone. Many of these households may be asset rich but income poor and the cost of living alone is also higher<sup>9</sup>. Generally there are advantages to poorer women with a hybrid tax compared to a simple property tax. Many councils also give discounts on council tax to students, the disabled and others deemed to be in greater need. There could be discounts for women subject to domestic violence, single mothers and other gender related discounts if this was thought appropriate.

From April 2013, local authorities across England were given the power to devise their own systems of Council Tax Support (CTS) for working-age adults. It replaced the national system of the Council Tax Benefit (CTB) which ensured that the poorest households did not have to pay council tax.

Each year the local authority decides how CTS should work in their area. Now in its sixth year, 2.0 million low-income families will pay on average £204 more in council tax in 2018/19 than they would have if CTB were still in place, up from £191 in 2017/18, £175 in 2016/17, £167 in 2015/16, £160 in 2014/15 and £145 in 2013/14<sup>10</sup>. Council Tax debt is now the major debt problem in the UK. Councils who charge 20% of council tax to those on benefits have seen arrears soar by over £48m since 2013 and have greater use of courts and bailiffs. Those who have kept CTB in contrast have seen arrears declined by £13.8 million relative to their arrears in 2012-13. The solution is simple. A national CTB system should be re-instated as soon as possible- not only will this do away with a further tax on the poor but it will also result in better tax collection rates by local authorities.

But the key problem with council tax is that it is regressive and in desperate need for reform. In England, council tax is still levied on the basis of the 1991 property values used when the tax was introduced in 1993. Since then, all houses and flats have gone up in value but some have gone up more than others. As time goes by, council tax becomes ever more arbitrary and regressive. In addition the proportionality in both band values and multipliers seen in bands B to F, stops at band G and is capped at band H and does not go below band A. It is not difficult to argue that the proportionality should be even and that there should be more bands below A and many more above H. This would ensure that poor people paid

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<sup>8</sup> ONS Families and Households in the UK: 2018 and 2019

<sup>9</sup> ONS The cost of living alone April 2019

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/articles/thecostoflivingalone/2019-04-04>

<sup>10</sup> <https://counciltaxreduction.org/impacts/>

less and that those living in expensive houses paid a fair share. In a publication that I worked on with the New Policy Institute (published in December 2015) '*Council tax reform in the age of localism: why councils should take the lead*', we argued that reform is more likely if the tax is localised. This is because the outcome of revaluation is too uncertain for central government to risk it. It is also impossible to get any intuitive sense of what is fair between, say, a flat in Barnet, a semi in Barnsley or a terrace in Bath. By contrast, the likely outcome of local reform and whether it is fair is much easier to grasp. Such local reform could potentially also be linked to some gender considerations about where discounts are appropriate. The good thing about Council tax is that it is a flexible tax and is easy to collect. Any reform of local tax must seek to reform it, rather than abolish it.

NEF have argued for a land tax. This is because the income from business rates is diminishing. But this is a political decision of the Conservative Government to reduce tax on business, exempt small companies and give tax relief to retail outlets. It could easily be raised with a focus on larger businesses. The basic justification for a land value tax is that land gets its value from its location and public infrastructure so a land tax is seen as an attempt to capture value that has nothing to do with the landowner's efforts, to reimburse society. It is a tax on owners of land (taxing rentier wealth) and effectively a kind of wealth tax which does not exist at the moment. This is a forceful argument and there is a case for a land tax but it has to be alongside business rates and council tax, which are taxes on the occupiers of buildings for services they receive from the local authority. It can be argued that landlords tend to be men and such a tax might mean lower council tax and business for the occupiers of property where there are more women. But I can see no justification for fully replacing business rates and council tax with a land tax.

More important would be a development tax which would go to the local authority. When planning permission is given for a development the rise in the value of the land should belong to the public purse and not the owner of the land. There has been a long history of attempts to capture development value with Labour governments introducing taxes and Conservative governments abolishing the taxes on the grounds that they deter development when usually the developer has just sat on the land waiting for a change of government which will operate in their interest. Development tax should be charged on vacant land which has planning permission thereby speeding up development and discouraging land banking. There are minor development taxes at the moment (Section 106 and the Community Infrastructure Levy) but these still mean that the majority of the development value accrues to the developer. Development tax does have gender implications. Not only can it promote public infrastructure of benefit to women but there are decisions to be made on how it is spent. Currently the Community Infrastructure Levy is spent subject to local

consultation and it could be used to support innovative projects with significant benefits to women.

*To conclude:* There are potentially significant benefits to women from increased local authority spending, not just on social care but also on neighbourhood services. To ensure increased equality and spending according to need revenue funding from non-local taxes to the most deprived local authorities is essential. A reformed council tax and council tax benefit system is the bedrock of local government finance and the flexibility of the tax means that potentially it could be reformed to deal with issues such as single women households, support for women threatened with violence and support for elderly women pensioners or the disabled.. Business rates are also a necessary funding source. These could be supplemented by a local land tax which might benefit poorer women by reducing council tax and business rates marginally. And a development tax that captures more of the development value and encourages development by taxing land banks could also be beneficial to women.