

# Isitfair

## Council Tax Reform

### A non party political nationwide campaign

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#### Newsletter 34 – April 2013

Abraham Lincoln is credited with saying 'You can please some of the people some of the time, but not all of the people all of the time'. That is exactly what I feel about this latest offering. A bit controversial for us, but the facts and figures are those of the councils or Government. We have not 'magiced' them out of thin air.

There are councils that are truly hard up and there are those that scream at the slightest change any Government may make. There are also those that have the money to spend and don't – while still making cuts. These unspent funds in many cases run into millions. Then there are those stuffing their reserves in preparation for a wave of goodies to be handed out in time for elections.

Perhaps we should also look at the facts. Council tax over the last three years has either been frozen or risen by a small amount, a bit of a change from previous years, and although we have not yet been successful in getting this wretched system changed, I really do feel that we have been instrumental in the fairly static council tax rises.

#### Bands and Scams

Nice little bit in the paper recently about these companies telling you that you are paying too much council tax. The writer said that if it sounds too good to be true, then it probably is. As we have said previously, you can easily check your valuation band on line or write to the Valuation Office Agency. Click [here](#) for full details. This is what the VOA say on the matter:

**"Checking your council tax banding does not cost you anything.** VOA staff are always available to guide you through the process, so you do not have to employ an estate agent, solicitor, surveyor or any other person to assist you unless you choose to do so."

*Do bear in mind that enquiries can lead to your band going up or those of your neighbours!*

#### The Town and Parish Council Tax Fiasco

Each day we see more and more unacceptably high rises in town and parish council precepts. Isitfair has often said that this Government has gone a long way to heal the pain of the large year on year rises in council tax, only to find that these town and parish councils have jumped the gun on the possible capping and have decided to make hay while the sun shines.

We are very pleased that Kris Hopkins, Conservative MP for Keighley, has managed - by way of a Ten Minute Rule Bill - to draw the attention of Parliament to the situation. His speech to the House of Commons on 19 March can be accessed at [here](#). He plainly believes, as we do, that town and parish councils should no longer be excluded from the council tax referendum requirements.

If you share his and our concerns, please consider requesting your MP to support Kris Hopkins and his Bill (second reading scheduled for 26 April). The following MPs have already joined him: Dr Thérèse Coffey (Suffolk Coastal), Stuart Andrew (Pudsey), Alec Shelbrooke (Elmet & Rothwell), Craig Whittaker (Calder Valley), Simon Reevell (Dewsbury) and Julian Smith (Skipton & Ripon). More information about this subject is in our paper [The Parish and Town Council Tax Fiasco](#).

Some time ago when Mr. Pickles was a member of the Shadow Cabinet, we had several meetings with him and his team. On many occasions we expressed our worries about the onward and upward march of the Parish and Town

**Founder - Christine Melsom, Willow Cottage, Church Lane, Headley, Hampshire, GU35 8PJ**  
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Councils. He said that these councils produced a precept that was 'de minimis'. Not enough to concern us or anyone else for that matter.

Fast forward two years and surely these words must soon come back to haunt him. Although many parish councils across the country have exercised restraint, we are becoming aware of an increasing number who are having a field day, some of them producing rises this year of up to nearly 300%. **No longer a case of de minimus – more like de maximus.**

So what is the excuse for these rises? In a Ministerial statement towards the end of last year the following appeared:

*"The Secretary of State does not propose to determine principles for local precepting authorities for 2013-14. However, he intends to revisit this issue next year, having considered the extent to which local precepting authorities have exercised restraint in relation to council tax this year."*

An almost identical statement, incidentally, to that made a year previously, an indication that the Secretary of State is quite comfortable with the **average** rise in parish precepts in 2012/13. **Averages, of course, distort the reality.**

To return to the current situation, some of the proposed increases will reflect a genuine and locally recognised need, but many will be there simply because parish councillors, sensing that it was unlikely that their luck would hold for a third year, have decided to go for gold, considering it perfectly justified for the horse to bolt before the stable door is closed.

Some councils are openly confirming this – this from a council increasing their precept by 297% (yes that's right two hundred and ninety seven per cent):

*"There has been much talk on the Government capping the precept in future years, possibly during the year 2013 – 2014, which would affect the year 2014 – 2015, then we would not be able to increase the precept above the cap at the January meeting and therefore the precept would for future years be set at the level decided at this January meeting."*

*"In order to protect our position, we must make sure that the precept set this year truly covers all reasonably anticipated expenditure. In previous years we have drawn on reserves rather than increase the precept, in the knowledge that the precept could be increased, however, this may not be the case in the near future. "If the precept were capped at an artificially low level, this would have a devastating effect on the ability of future Parish Councils to carry out necessary works for the village."*

*"In any event, this year's precept should cover all our anticipated expenditure without drawing on reserves; otherwise, we are simply budgeting to run out of money."*

And this from Town council which intends **a rise in the Band D payment from £182.08 to £233.37:**

*"Although we were being given a grant for the 2013/2014 financial year (this is the first time such a grant has been received), no guarantees were available that this would continue in future years. We might receive a similar sized grant, we might receive a smaller grant or we might receive no grant at all. This would depend firstly on whether the government decided to provide a grant and secondly on whether the District Council decided to transfer it to the parishes as they have done this year. **AND** there are strong indications that the Government will limit the amount that Town and Parish Councils could increase their Precepts by in future years."*

This is a parlous game that they have decided to play and the public should be made well aware of it. Is it right that some should be filling their coffers for a rainy day?

Looking at this another way - there has been much talk about Parish and Town councillors receiving allowances (in addition to expenses). Could these extraordinary rises in precept be paving the way?

## **Widening the Gap**

A couple of months ago, having just heard a BBC Radio 4 programme about the cuts in local government funding, I decided enough was enough and wrote a rather angry email to those taking part and anyone else I thought might take note. Here it is, and a response received from Minister Brandon Lewis:

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Most of us will have heard the old adage that you never argue about politics or religion. Alas, on a recent Radio 4 program the Bishop of Liverpool and others did just that and managed, between them, to put another wedge not just in the North South divide, but also between urban and rural. He had been seduced not by the facts, but by the leaders of the councils (ably assisted no doubt by other local politicians) who are adept at turning any figures to their advantage. Anyone looking at the figures below can see that these major cities fare much better than the rural councils, south and north. Yes we know that there have been cuts, but not just to those councils receiving the blessing of the Bishop – it has happened across the country.

The last Government made sure that their heartlands were well catered for and gave them big 'thank you for supporting us' grants. A minister in the last Government once said that Hampshire was the most frugal council in the country – it had to be because its grant was so low.

It has to be remembered that the state pension, and the salaries for state employees, are pretty well the same wherever you live. We maintain that there are rich and poor across the country and the claim that those living in these major cities are necessarily any worse off during the present squeeze is spurious. We do acknowledge that there are areas which need more support, of course there are, but that extra support is out of all proportion. We in the shire counties are not all bankers and stockbrokers! For many of us the national average wage is a far off, unattainable dream. There are plenty on minimum wage, and jobs are hard to come by. At the same time, and particularly in the south, property prices and therefore living expenses are much higher with the result that very few youngsters have a chance of owning their own home; many can't even afford to rent and are forced to give up any idea of independence.

### 2013-14 Spending Power per Dwelling

This is basically a combination of the new start up funding assessment and council tax. I have chosen East Hampshire District Council (and Hampshire County Council) for comparison purposes because that is where I live, but the principle applies across the shire counties.

*Shortly after this email went out, DCLG revised the figures on spending power per dwelling first released in December. The new figures are included in brackets and in red, below.*

- East Hants DC (figure includes Hampshire County Council + EHDC) = £1,694.97 (**£1,672.86**)
- Birmingham = £2,696.92 (**£2,701.10**)
- Liverpool = £2,623.04 (**£2,598.11**)
- Manchester = £2,501.57 (**£2,519.92**)
- Newcastle = £2,521.82 (**£2,515.52**)
- Sheffield = £2,221.49 (**£2,199.74**)

These figures are gleaned from Government websites – how much more does the Bishop think the grants to Hampshire and the district council should be cut? It would appear that the five city councils listed above have a spending power around £500 - £1,000 **per dwelling** more than those in the shire counties, and the Bishop thinks this is not enough!

Compare with average council tax per dwelling 2012/13

- HCC (EHDC area) = £1,476
- Birmingham = £925
- Liverpool = £961
- Manchester = £817
- Newcastle = £1,039
- Sheffield = £1,017

Once again these are Government figures. It must be noted that **council tax** plays a lesser part in local funding in the metropolitan districts than it does elsewhere, particularly in the shires. **We think DCLG should publicise both spending power, and how much of this spending power is provided through council tax.**

**Response received from Brandon Lewis MP, Parliamentary Under Secretary of State at the Department for Communities and Local Government.**

20 February 2013

Dear Ms Melsom

Thank you for your message of 25th January 2013 to Rt Hon Eric Pickles MP, setting out your concerns over rural area funding. I am responding as this matter falls under my Ministerial responsibilities. We have accepted that, based on the available evidence, rural areas are comparatively under-funded and that there should be a change applied so that there is proper recognition of the additional costs of delivering services in rural areas. This was confirmed in the announcement of the local government finance settlement on 4th February 2013, where it was also announced that the Government has decided to pay a new Challenge Award in 2013-14 in addition to the Efficiency Support Grant of (*sic*) payable in both 2013-14 and 2014-15. Both of these schemes will offer some protection for shire districts.

In developing our proposals we have been conscious of local authorities' need for stability in the transition to the new scheme. The use of floor damping in the transition to Business Rates Retention is a key part of delivering that. Floor damping guarantees a lower limit to change in grant for every authority in England, which provides stability while allowing some of the underlying change to come through.

Council Tax is of course important; but you will be aware of the assistance that we have also provided for taxpayers in the funding of £450 million to help local government in England freeze council tax (comprising £225 million in both financial years 2013/14 and 2014-15).

This the third successive year that funding has been made available for a council tax freeze in England. It provides real help with the cost of living and represents a real terms council tax cut of around 2.5% in 2013-14 and 11% over the past 3 years.

(Sgd) **Brandon Lewis MP**

**Local Government Pension Scheme**

Articles have appeared in the press recently about the cost of public service pensions and raising serious questions about the affordability of new proposals.

We have over the last few months been exchanging correspondence with DCLG on this matter with particular reference, of course, to the Local Government Pension Scheme (LGPS) whose reform is taking place a year ahead of the other public service schemes. DCLG claim that they "remain on target to implement the new scheme (LGPS 2014) in April 2014", although we have learned from a council leader that there is as yet "no settlement". At the beginning of this process we were told that there was concern that "the cost of public service pension schemes in general is unaffordable and unfair to taxpayers, many of whom have seen their private sector pensions diminish in value..."

A look at the proposed LGPS 2014 reveals that it is very generous indeed to the employee in spite of the increase in contributions, change to CARE (career average) basis for calculating benefits, and link with the state retirement age. In fact, the unions seemed actually to like it and examples shown by Unison in their explanation to members reveal benefits at least equal and often superior to those under the old scheme.

Obviously the interest of Isitfair is centred mainly on the employer's contributions, that is the amount paid into pension funds by local councils. For "employers", of course, read "taxpayers".

The new LGPS was designed within a cost ceiling set by Government of 19.5% of payroll. We know that this figure includes both employee and employer contributions.

We have learned from the LGPS 2014 Employer Overview at [www.lgps.org.uk](http://www.lgps.org.uk) that as the employee contribution yield is proposed to remain at 6.5%, this gives a notional employer Future Service Rate (FSR) of **13%**.

Good, we thought, that is much better but this document goes on to say, "However, the FSR is only one element which goes toward the total employer contribution rate. *The other major factor is the past service cost.* The revised scheme design will have no impact on past service costs which will continue to be managed via existing

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deficit reduction strategies and employer contributions. If assumptions in relation to fund performance prove to have been optimistic at the 2013 valuation then any improvements to the overall employer rate due to the revised design may well be wiped out. Given the difficult market conditions currently in effect many employers may see the impact of the new scheme design reflected in total contribution rates being not as high as they would have otherwise have been rather than seeing a reduction."

In Hampshire, the employer's contribution amounts to 19.1%. This comprises **13.1%** of pensionable pay plus 6% of pay roll in respect of this past service cost. Note the minuscule difference between the forecast Future Service Rate and the current one. This state of affairs is by no means unique to Hampshire; indeed we believe it to be commonplace and this past service cost is a killer.

As it stands now, what would this new scheme do for us? Not a lot it would seem. The best that can be said about it is that the employer contributions *may* in the future be slightly lower than they would otherwise have been under the current scheme. It is difficult to see what can be done about past deficits. Presumably they have to be made up somehow. The sins of the past (including contribution holidays taken by councils in the boom years and loss to pension funds resulting from the removal of tax credits on share dividends, a policy unveiled in Mr Brown's first budget in 1997) have caught up and will remain for donkey's years.

Trying to find up to the minute information on all this has proved challenging. The following is a link to the Joint Statement by the Local Government Association and the trade unions published in January which may be of interest: [UPDATE ON PROGRESS OF LGPS 2014 Project](#).

We have been told that there is no final settlement yet, and certainly work has been taking place on future funding, but unless something pretty radical is included, it looks very much as if the chance to design a scheme which dips significantly less into the pockets of the taxpayer has been lost. Not this administration's finest hour then.

Yours still in the cause

*Christine*

***Isitfair The Nationwide Campaign Calling For The Reform Of The Council Tax System.***

***Please visit [www.isitfair.co.uk](http://www.isitfair.co.uk)***



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