

Paying for Local Government

Introduction

UNISON members deliver local services and also have a wider citizenship interest in how services are provided and paid for. The funding of local government has been a difficult issue for political parties. At best proposals have been sticking plaster solutions because change is viewed as being politically challenging. However, we simply cannot go on as we are with short-term fixes that damage services and undermine local democratic accountability. We need to develop a new consensus that provides a long-term solution. This briefing aims to trigger discussion in branches to enable UNISON influence the wider political debate.

Adequate funding of services

Delivering services costs money, so it is vital that services are properly funded and that everyone pays a fair share towards those costs. Businesses benefit too, that's why they too must bear a share of the costs. UNISON believes that taxation is the fairest way to fund local services. That does not mean that we believe the current tax system couldn't be fairer.

To ensure that we all pay a fair proportion, all forms of wealth need to be taxed. Currently the system taxes wages more highly than other forms of wealth leaving ordinary workers bearing an unfair burden. Property is a significant form of wealth and must be taxed in order to reduce inequality. The well-off already own bigger and more houses than the rest of us. If this form of wealth is untaxed it becomes an even more attractive form of investment. Cuts to services are also impacting heavily on those who rely on these services. An FOI on charges and a recent Audit Scotland report show these costs are mounting up for ordinary service users while wages for workers are static.

UNISON principles for Local Authority funding

- Local Authorities raise and control own revenue
- Business rates returned to local authority control
- A property tax is the best fit for local government
- Grant support with minimum ring-fencing
- Taxation should be broadly progressive
- Current options under discussion in Scotland

There are four main options being discussed in Scotland:

- Ongoing council tax freeze
- Local income tax
- Land value tax
- Fairer property tax

In 2007 the Burt Review covered this in detail, but the main recommendation was shelved because it was so close to an election. The report recommends taxing the capital value of properties. The submissions to the Burt Review from professionals working in tax and valuation, like RICS and IRRV, are particularly useful for understanding why Burt rejected land value and a local income tax

KEY POINTS:

- **Local Government funding is in crisis. We cannot go on with short term fixes that damage services and undermine local accountability**
- **Taxation is the fairest way to fund services. The current increased in charges hurt those on low incomes**
- **All the powers to introduce a new fairer tax are already devolved. We can develop a Scottish solution now**
- **This paper is a shortened version of the discussion paper sent to branches on 11th November 2013**



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Local Income Tax

Wages in Britain are already highly taxed in comparison to other forms of wealth and for those on average and low incomes they make up the vast majority, if not all of their wealth. A household's overall financial security also depends not just on actual earnings but also the number of people reliant on those earnings, so a one earner household of four with a £40k income paying rent can be less well-off than a single householder on £15k who owns their home outright. As the cost of living increases and with wages largely frozen, particularly for public sector workers, an extra tax on ordinary workers' wages is not the fairest way to raise income for local government.

Advantages of a property tax

Any strategy to reduce wealth inequality needs to include taxing property. For local government a property tax's advantages are practical - it's easy and cheap to collect. Property is easy to find and value. It can't be hidden or moved abroad, nor does it appear suddenly as changes to existing and new buildings require agreement with local authority planning departments. The yield from a property tax is stable and enables the kind of long-term planning which local government needs to be able to do. Significantly for UNISON members, thousands are employed in council tax administration and so any change to a national or income based tax puts those jobs at risk.

Land Value Tax

LVT is a tax levied on the owners of land based on the value of the land excluding any property/fixtures on the land. One of the key issues with this tax is working out the value of land itself in order to then work out the level of tax due. Land is rarely sold without anything on it nor are buildings sold without the land underneath. This means that any bills will be based on an estimated value. Both the Mirrlees and Burt reports rejected LVT for local government because of the practical barriers to both valuing land and billing. Landowners are not as easy to find and bill as occupiers. Individuals and/or offshore companies hiding in tax havens can own land. These are hard enough for a central tax body to find and get money out of. Landowners will be able to pass the cost on to tenants in higher rent charges. Local taxes should support local accountability. Local government should raise money from those people who live and work in their area, who use the services they provide. Wealthy landowners become the major contributors to local finance under LVT and may exert pressure on authorities to cut back services. If the practical difficulties over LVT could be overcome is not really a tax suitable to local government.

Local Property tax

UNISON's current policy position is that the council tax can be reformed to deal with its current issues. Now that changes to the benefits system and devolution of further powers in this area have taken place, the Scottish Government has the power to change both the tax itself and any benefits to be paid to protect those on low incomes. There are no practical barriers to a new fairer tax. There is no easy political answer. Losers will complain loudly while winners will keep quiet. However, it is possible to separate a structural change in local taxation from the rate at which the tax levied. Parliament could, if it so wished, reform the council tax on the basis of no increase in yield until the economy improved.

Action for Branches

UNISON needs to further develop our position as we seek to influence parties' development of their 2016 manifestos. Branches are encouraged to discuss the issues and feedback by 13th January. The Bargaining and Campaigns Team are available to support discussion in branches. **Please contact Kay Sillars 0141 342 2819.**

Further info

UNISON discussion paper

http://www.unison-scotland.org.uk/localgovt/PayingforLocalGovernment_UNISONdiscussionpaper_Nov2013.pdf

Burt Review

<http://www.scotland.gov.uk/Publications/2006/11/06105402/0>

Mirrlees Review

<http://www.ifs.org.uk/mirrleesReview>

UNISON council tax freeze briefing

www.unison-scotland.org.uk/briefings/e-briefing_CouncilTaxFreeze_May2013.pdf

Audit Scotland report on charges.

http://www.audit-scotland.gov.uk/docs/central/2013/nr_131128_public_sector_workforce.pdf



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