IPTI Xtracts

Property Tax and Assessment News from Around the World

UNITED KINGDOM - February 2018

LGA: Council tax hikes will not stop service cuts

Residents will pay more council tax for fewer services in 2018-19 in many parts of England, the Local Government Association has warned.

Even those councils levying the maximum permitted increases would struggle to keep pace with social care costs and loss of government funding, the umbrella-body said.

Its survey of intended changes to council tax has found that all but five of the 152 top tier councils that handle adult social care will use the additional 3% precept allowed for this service, raising some £548m in all.

This, though, would be wiped out by the requirement to pay the national living wage and a potential £400m bill for back pay to sleep-in carers.

All councils can increase council tax by up to 2.99% without the need for the rare step of calling a local referendum to validate a higher amount - an increase of one percentage point from this year.

Most district councils can increase by £5 per year at B and D level.

Among top tier councils, 108 will increase council tax by 2.95% or more, the LGA found, raising £584m - far short of the £1.4bn the body claimed would be lost through cuts in central government funding.

It said 64 top tier councils would levy the full increase of 2.99% plus 3% for social care.

A further 75 would be unable to levy the social care precept in 2019-20 as they had 'front loaded' increases in this year and next and government rules permit only a 6% rise across the three years to 2019-20.

Only five top tier councils intend to freeze council tax completely this year.

The LGA said there would be a funding gap of £5bn by 2020, which would mean further reductions in services even where maximum council tax increases had been imposed.

LGA chair, Conservative peer Gary Porter, said: "The extra income this year will help offset some of the financial pressures they face but the reality is that many councils are now beyond the point where council tax income can be expected to plug the growing funding gaps they face.

"Extra social care funding will be wiped out by the significant cost pressures of paying for the government's National Living Wage and extra general council tax income will only replace a third of the central government funding they will lose this year.

"This means councils will have to continue to cutback services or stop some altogether to plug funding gaps."

Britain's property taxes are broken

Next month's Spring Statement – the first such event since Philip Hammond moved the Budget to the autumn – will reportedly be a pared-back event.

The Chancellor plans to further burnish his reputation for excitement and unpredictability by being on his feet for no longer than 20 minutes and doing no more than updating the House of Commons on the latest economic forecasts. According to the Treasury, there will be no spending increases or tax changes.

That is a shame, because one aspect of the tax system in particular is in dire need of reform. I am referring to the various ways in which the government taxes property – which are illogical, outdated, regressive and economically costly.

The most recent tinkering with property tax came in the autumn Budget, with the abolition of stamp duty on homes worth up to £300,000 for first time buyers. Yet there is a strong case for abolishing it altogether. Beyond the general point that you need to raise revenue somehow, there are no good arguments for imposing a charge on moving house.

And the economic harm done by such transaction taxes is significant. An Australian government review of its stamp duty system found that for every £1 of revenue raised, it destroyed 75p of wealth. No tax is consequence-free, but stamp duty is exceptionally harmful. When moving house comes with such a high price tag, labour is less mobile and the economy less productive; it also means people are more likely to stay put in a house that is a bad fit for their needs instead of downsizing or upsizing.

More lucrative, but just as nonsensical, is council tax. The most clear-cut problem with council tax – which is really a hybrid consumption and property tax – is how outdated it is. Your council tax band depends on the value of your home in 1991. Ignoring a quarter of a century of house price changes is unfair, and is a product of nothing more than a desire to avoid controversy.

Updating the valuations would also be an opportunity to make the tax less regressive. At present, residents in low-value properties pay very high effective tax rates; the opposite is true at the other end of the spectrum. Adding new bands above the existing top band would go towards fixing that. A more radical – and sensible – option would be to scrap the bands altogether, and instead charge a flat rate on updated valuations.

The standard rebuttal to such proposals is the fact that Britain's property taxes are already higher than anywhere else in the developed world. But that isn't necessarily a problem: there is a strong philosophical case for taxing assets instead of work. Economically speaking, wealth taxes tend to do the least damage to growth. Property taxes also have the practical advantage of being nigh-on impossible to avoid.

The problem, in fact, isn't that we tax property. It's how we do so, which at present is both costly and unfair.

Indeed, it they were truly ambitious, the government might be tempted to overhaul the whole system and introduce a land value tax, which is a levy on the value of the underlying land and is paid by the landowner whether or not the land is being used. This is that rare thing: a tax that encourages rather than discourages economic activity, by making landowners pay for property that sits idle. It is also that even rarer thing: a proposal endorsed simultaneously by the Institute of Economic Affairs, the Institute for Fiscal Studies, and John McDonnell. (Though admittedly for McDonnell, a land value tax would be a supplement to existing property taxes, not a substitute.)

Labour says land value tax would boost local government budgets

John McDonnell says funding crisis in local services may have opened window of opportunity

Labour is considering a tax on land values as a way of boosting local government budgets, shadow chancellor John McDonnell has said.

In a sign of the party's confidence about growing public interest in a fresh approach to managing the economy, McDonnell said cuts to council spending were so severe that it might now be possible "to have a rational debate".

At the last election the Tories called Labour's proposal for a tax on commercial land values a "garden tax" that could force home owners to sell up. The Greens and the Liberal Democrats are also interested in the idea.

A land tax, where a percentage of the value of the land is levied annually, is popular with some economists, who say it is a logical approach to taxing individual wealth. But many politicians across the political spectrum are alarmed at the thought of introducing a new tax. A new tax on wealth that creates losers as well as winners would inevitably be a hard sell.

But McDonnell told the audience at the event organised by the Resolution Foundation, where he set out Labour's plans to boost household incomes, that the crisis in the funding of local services may have opened a window of opportunity.

"I think we are at a stage where the decline in terms of funding to local government and the consequential effect on local services – many of them are in crisis – means, I think, that people are now willing to consider more radical solutions than they have in the past."

Councils are hamstrung by government rules and cannot raise council tax significantly without a local referendum, which would be costly to run and would have an uncertain result. But the tax – introduced nearly 30 years ago to replace the unpopular poll tax – has not been uprated since then. It leaves many councils struggling, with too small a tax base to meet all their obligations.

Other councils are on the brink of catastrophe. Northamptonshire county council announced earlier this month that it could only afford to meet its statutory obligations. On Thursday the accountants KPMG, which audits the council's budget, said it did not balance and was therefore illegal.

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The local government association has said that by 2020 many councils would struggle to provide some public services, partly because of botched central government reforms. By 2020, central government funding will have been cut by more than 50% since 2010.

Council tax is regressive because it is levied on a notional value that has no relation to household income or to the market value of the property. However, unless it is regularly updated, a land value tax would share some of those weaknesses. But it would be directly related to the wealth of the homeowner and it would capture the rapid growth in house values that have been a financial boost to those who own property.

One council, Westminster, one of the richest in the country, is now proposing that wealthy residents pay a voluntary additional contribution, ringfenced to help offer improved services to rough sleepers and young people.

There is increasing support in policy-making circles for a land-value tax. Tony Blair's thinktank, the Tony Blair Institute for Global Change, backed the idea in a policy paper published at the end of last year.

Treasury targets Facebook and Google with 'fair' tax system

Chancellor expected to levy tax on digital businesses' UK revenues rather than profits

The Treasury is threatening digital companies such as Facebook and Google with a new tax, as it pushes for global agreement on a fairer system for ensuring digital businesses pay their way.

The chancellor, Philip Hammond, is expected to use next month's spring statement to announce the results of a consultation launched by the Treasury in November, on how to update the tax system to reflect the nature of online businesses.

The financial secretary to the Treasury, Mel Stride, told the BBC on Thursday that digital companies should pay "fair" levels of tax.

He suggested that could mean a system in which tax is levied according to where those companies earn their revenues – rather than simply taxing profits, which are easier to shift from one jurisdiction to another.

"At the moment [they] are generating very significant value in the UK, typically through having a digital platform with lots of users interacting with that platform," Stride said.

"That is driving a lot of value, so you're looking at social media platforms, online marketplaces, internet search engines – where at the moment the tax regime is not taxing those activities fairly.

"We want to move to a situation where we are taxing those activities fairly."

Treasury sources said the government's first preference would be to press for reforms to the international system at the Organisation for Economic Cooperation and Development (OECD), which helps the government coordinate tax policies.

But if progress cannot be agreed at a global level, Britain would be prepared to unilaterally enter into various changes, Stride said.

Several big digital companies have been criticised in recent years for paying very little tax in the UK, in some cases by engaging in complex avoidance schemes such as shifting the ownership of intellectual property to a low-tax jurisdiction.

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Facebook recently announced a shakeup in the way it pays tax worldwide, amid mounting public pressure over whether footloose multinationals make a fair contribution to society.

The company was criticised for paying just £5.1m in corporation tax in the UK last year, despite revenues nearly quadrupling to £842.4m on the back of increased advertising sales.

Progress on reform at the OECD has been stalled by a division between some nations that would like to see internet firms taxed more heavily and others, such as Luxembourg and Ireland, which value the inward investment they receive by levying low levels of corporation tax.

Pascal Saint-Amans, the OECD's director of tax policy, said recently: "Countries are left with a bitter taste in their mouths because there's no agreement on taxing profits of digitalised companies."

A recent report from the Royal Society of Arts suggested taxing Amazon, Facebook and Apple more heavily could be one way of paying for a universal basic income, to be paid to all citizens.

London's property market worth twice the combined value of the nine other largest UK cities

London's property market is now worth more than £1.5tn, an increase of 1.54pc in the past 12 months, according to fresh figures released on Thursday.

Despite subdued house price growth in the capital over the past year, the market is more than twice as valuable as the combined worth of property assets in the next nine largest cities and towns in the UK: Birmingham, Manchester, Leeds, Bristol, Reading, Edinburgh, Nottingham, Sheffield and Glasgow.

Property portal Zoopla, which produced the figures by combining the value of all residential property in Britain's top 10 largest cities, found that Bristol ranks as the second most valuable property market with a total value of £115bn, the only UK city, aside from London, to surpass the £100bn mark.

Glasgow, which has witnessed one of the largest growth rates of all UK cities in the past year, follows in third place with a property market value of £90.75bn, significantly higher than the total value of Scotland's capital Edinburgh, which comes sixth on the list with a total house market value of £68.27bn.

Top 10 cities by total property value

Rank	City/Town	Value (Jan 18)
1	London	£1.5tn
2	Bristol	£115bn
3	Glasgow	£90bn
4	Birmingham	£81bn
5	Manchester	£80bn
6	Edinburgh	£68bn

Rank	City/Town	Value (Jan 18)
7	Nottingham	£66bn
8	Reading	£60bn
9	Leeds	£59bn
10	Sheffield	£55bn

Source: Zoopla

Within each city, Zoopla found that highly affluent neighbourhoods contribute significantly more than any other to the city's total property wealth. In the capital, property in SW1 – which covers Belgravia, Pimlico and Westminster – holds a total value of £54.57bn, which is almost as much as the entire city of Sheffield (£55.67bn).

Meanwhile, Bristol's upmarket BS16 neighbourhood – which encompasses Downend, Emersons Green, Fishponds, Frenchay and Staple Hill – tops the list as the city's most expensive enclave with a total value of £10.1bn.

Birmingham's B13 (covering Moseley and Billesley) the city's most valuable area with a total value of £3.97bn, while M20 (covering Didsbury and Withington) takes the top spot for Manchester at £6.48bn.

Zoopla's Lawrence Hall said: "It comes as no surprise that London is significantly more valuable as a residential property market than any other British city.

"However, the data does show that, in comparison to cities further north and across the Scottish border, the rate of growth in London has slowed. The capital may be worth almost 10 times more than Sheffield, but Britain's Steel City wins in the growth rate stakes."

Sheffield's property market has recorded the highest growth rate (5.63pc) of any British city, followed by Glasgow (5.38pc) and Manchester (4.49pc), Zoopla found. Reading follows London as the second slowest city for property value growth with just a 2.37pc increase over the past 12 months.

Recent data from HM Land Registry and the Office for National Statistics shows that the London market shrugged off a sluggish few months at the end of 2017, with prices rising by £4,000 in December compared with a drop of £6,000 the previous month.

Nevertheless, property experts predict that overall growth in the UK property market will remain flat this year. Capital Economics has forecast that house prices will grow by 2pc in 2018, while JLL predicted that the average property across the country would rise in value by just 1pc.

The Royal Institution of Chartered Surveyors' chief economist said the "lack of inventory on agents' books" was continuing to prove "a major challenge", adding that the number of valuations being undertaken was "not suggestive of a pick-up in new supply anytime soon".

Grampian business rates appeals shoot up after controversial revaluation

Grampian's district valuer has been flooded with appeals from businesses feeling the pinch following a controversial rates revaluation.

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New statistics show there has been a 10% increase in appeals in comparison to the previous revaluation in 2010, where the percentage has remained the same across the country.

The Tories say the figures provide further proof that the north-east has been unfairly affected by the scheme.

There was an outcry last year when firms received their new rateable value – how rates are calculated – which were based on surveys done before the oil and gas downturn.

Since then, more than 10,000 properties in the north-east have appealed their bill for 2017, amounting to £802million in disputed funds compared with £559million seven years ago.

The amount of businesses appealing their bills comprises 39% of the total firms subject to rates in Grampian, compared to 30% in 2010.

Across Scotland, 233,386 firms have challenged their revaluations, amounting to £5.7billion compared with £4.6billion previously.

The percentage of appellants has remained at 29%.

Simon Cruickshank, owner of the Ship Inn in Stonehaven, has been a vocal critic of the latest review after he was hit with an increase of about 80%.

He said: “I’m not surprised there’s been more appeals, in fact I’m surprised it’s not higher than 10%.

“We are all suffering from the impact of the economic downturn brought on by the oil industry decline and there’s also been a big reduction in hotel fees in Aberdeen which is adding more pressure.

“All of that means they should be reducing the bills not putting them up. I welcomed the 12.5% cap but even then I think that’s too much.

“The original cap was a knee-jerk reaction because they had such bad publicity.

“There needs to be a review of the system, the Barclay Report was a whitewash if you ask me.”

Banff Springs owner Charles Milne has been among the most vocal opponents of the scheme.

He previously revealed his revaluation had shot up by 115%, from £92,000 to £197,000.

He said: “These figures come as no surprise to me that so many of the NE business have appealed against the disproportionate large rates rises, these increases have put serious financial pressure on doing business in the north-east.

“I can only hope that the appeal process recognises the unrealistic charges and the current cap stays in place until the appeals are completed.”

Meanwhile Colin Clark, MP for Gordon, claimed the figures highlighted the unequal impact the scheme had had in the region.

He said: “These figures demonstrate once again the disproportionate hit that business rates rises have had on companies in the north-east.

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"The cost of operating here is already very high, with the SNP's large business supplement taxing companies to the tune of several million pounds a year more than those in the rest of the UK.

"These latest rises in non-domestic rates are another burden on companies large and small that have been through a very difficult time due to the downturn in oil and gas.

"The appeals process can be lengthy, and cause a great deal of uncertainty which could have an impact on investment decisions, particularly for smaller firms."

But a spokesman for Finance Minister Derek Mackay said that the Scottish system provided a safety net for firms faced with large bills.

The spokesman said: "Valuations of all commercial premises are undertaken by independent assessors, and a right of appeal exists for ratepayers who disagree with their valuations. Ratepayers may also request that their appeal hearing is expedited.

"Under the Community Empowerment Act 2015 councils have the flexibility to create their own local rate relief schemes, should they choose to do so."

"While in Tory run England businesses are charged a fee to appeal their rateable value, no such charge exists in Scotland under the SNP."

Banff Springs Hotel owner Charles Milne said: "These figures come as no surprise to me that so many of the north-east businesses have appealed against the disproportionate large rates rises, these increases have put serious financial pressure on doing business in the north-east.

"I can only hope that the appeal process recognises the unrealistic charges and the current cap stays in place until the appeals are completed."

The imminent council tax rise will just make it even more regressive – we should scrap it altogether

Council tax is set to rise in 95% of local authorities in England by £100 or more, according to research released today.

Naturally, no one's particularly happy about having their monthly outgoings possibly substantially increased without their input, and for the poorest it could be more than just an inconvenience.

And that's the issue with council tax – the amount we pay has absolutely nothing to do with how much we earn, spend or have in the bank. It is, essentially, an arbitrary number based on flawed calculations, which are decades out of date. Council tax was introduced in 1993 as a panicked alternative to the disastrous Poll Tax, which led to riots throughout the country, but its execution was rushed and poorly thought through.

The current bands are based on the property valuations from 1991 (although in 2005, Wales saw revised valuations introduced), which means that every new property built is bizarrely assessed based on what it would have been worth up to 25 years ago.

Many of the people on the lowest bands are actually living in what is now a premium location property. Because it's the responsibility of the tenant, not the owner, to pay council tax, it functions as a penalty for renters, who are already at a disadvantage and may have no assets or wealth to their name.

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Even the loopholes don't work properly: students are exempt but other members of the household have to cover their share, meaning many students end up paying it anyway in order to be able to live with non-students, who would otherwise be out of pocket.

Despite council tax already increasing way beyond inflation, councils do not receive enough funding to function – hence the proposed increase. The answer is clear: we must reverse the damaging austerity cuts of the past decade, which have pushed councils and social care to breaking point, rather than taking an already regressive tax and burdening the public with the cost at a disproportionate rate.

Because council tax is calculated based on bands, rather than a percentage of value, the lowest valued house still pays up to a third of what the most expensive property is taxed.

The Scottish parliament has been wrestling with this broken system to little effect, while in Westminster the only viable alternative presented has been the so-called 'Mansion Tax', which was abandoned by the Liberal Democrats and Labour alike after negative publicity.

Other suggestions floated include a local income tax, where the government essentially gives a local authority a percentage of its revenue (this system is used in US cities, including New York and Philadelphia), and land value tax following the Hong Kong model, which is backed by the Green Party and has recently had some tenuous support from Labour.

You'd be forgiven for being sceptical that any of these complex alternatives would provide the perfect solution, but at least it would be a move away from what we have now.

The anticipated increases will make make the council tax system even more unfair and regressive, putting the burden on the poorest in society, rather than the wealthiest.

It's time to scrap this legacy of the Thatcher government and bring in a localised taxation system, which properly funds our councils without exacerbating inequality and pushing people further towards poverty.

Council tax will soar in April thanks to rate rises

COUNCIL tax rises will hit homeowners and renters across the UK from April 2018 as rates increase in as many as 95 per cent of councils. How much will your bill rise?

Council tax is a fact of life in the UK, with homeowners and renters alike having to pay the yearly bill.

April 2018 is set to be a tricky one for households as many local authorities massively increase their charges.

Council tax can rise by there per cent this April, in line with inflation.

Lord Porter, the chairman of the Local Government Association, said some councils were on the verge of "collapse" if more funding was not found soon.

How much could council tax rise by?

Local Government Secretary Sajid Javid has given councils in England the right to increase bills by 2.99 per cent.

Authorities that provide social care can also impose a further rise of three per cent. This would increase the total bill by 5.99 per cent.

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The top rise of nearly six per cent would take the average annual cost for a typical property up £95 to £1,686.

Can you refuse to pay council tax?

In short, no. According to the Valuation Office Agency, you cannot appeal your bill just because you think it is too expensive.

However, there are certain circumstances in which you can appeal. If you believe your home is in the wrong council tax band, you can appeal - but you could be re-banded in to a higher category.

If you don't pay your bill, your local authority can ask magistrates to issue a liability order, which would allow the council to take money from your wages or send in bailiffs to remove goods to cover any arrears.

Why are council taxes rising by so much?

A spokesman for the Local Government Association told the BBC: "Core central government funding to councils will be further reduced by half over the next two years.

"Councils also face an unprecedented surge in demand for children's services and homelessness support.

"This is leaving increasingly less money for councils to fund other services, like fixing potholes, cleaning streets and running leisure centres and libraries.

"As a result councils in England face an overall funding gap that will exceed £5bn by 2020."

A spokesman for the Ministry of Housing, Communities and Local Government said: "Our finance settlement strikes a balance between relieving growing pressure on local government whilst ensuring that hard-pressed taxpayers do not face excessive bills.

"We have listened to representations made from councils and delivered on these with extra funding.

"Overall councils will see a real-term increase in resources over the next two years, more freedom and fairness and with a greater certainty to plan and secure value for money.

"We are also delivering on our commitment to give councils more control over the business rates they raise locally - with millions of pounds staying in communities and being spent on local priorities.

"We want to work with local government to develop a new funding system for the future and encourage councils to submit responses to the review currently under way."

WALES - WELSH GOVERNMENT PUSHES FOR VACANT LAND TAX

The Welsh Government plans to impose a tax on landowners who fail to develop sites that are ripe for development.

Mark Drakeford, the Welsh Government's cabinet secretary for finance, said the administration would take forward a vacant land tax to test taxation powers conferred by the Wales Act 2014.

The tax could work in a similar way to a vacant site levy in Ireland. Local authorities would draw up a list of vacant land which is suitable to be developed.

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If the land is vacant after a year, the Welsh Government could impose a tax of 3 per cent of the value of the land. After two years, this could rise to 7 per cent.

Drakeford said the first part of any revenue from the tax could be used to pay for the scheme, and remaining revenue to support regeneration.

He told Insider: "It is designed to change behaviour, to bring into purposeful use land which would be standing idle."

The potential tax would need approval from assembly members in Cardiff, and UK Treasury officials, before becoming law.

Drakeford said there was "a fighting chance" the vacant land tax could be in place within three years at the earliest, provided it was not delayed at any stage.

He said that the process of creating the first Welsh tax was "pretty sketchy". He said: "We will learn a lot from doing it. We are not talking about a swift process."

And he said the land would have to have been identified for development: "This is not about saying people's lawns will be taxed. It is land already identified for a particular purpose, for example, set aside for housing."

It would be aimed at companies or individuals "land banking" – storing up useful land, or retaining land in order to make a "windfall profit".

Chris Sutton, Cardiff lead director at property consultancy JLL, said the tax could prove unpopular if it was seen as an increase in taxation, rather than a shift in the base of tax.

Sutton said: "Vacant land tax seeks to encourage development by penalising under-use, but does not improve development viability.

"There are other ways to incentivise new development – a longer period of exemption from business rates for new development, reduced stamp duty (soon to be Land Transaction Tax in Wales), simplified planning, or reduced planning gain."

The vacant land tax was one of four taxes which the Welsh Government considered to test its new powers. The others were a social care levy, a tourism tax and a disposable plastics tax.

Drakeford said the social care levy was considered "probably too big an idea to test the machinery2. A plastics tax, popular among some, is being considered at a UK level.

And on the tourism tax idea, he said: "I was persuaded that the tourism market is so different in different parts of Wales that a national tax would not be the best way of responding."

But he said that giving local councils permission to charge their own tourism taxes could be an "idea to explore".

Refunds for businesses hit by 'staircase tax' are months away

I'll be honest. I hadn't expected the government to fully reverse the effects of the UK Supreme Court's (UKSC) decision in Woolway v Mazars (2015) UKSC 53, which was dubbed 'the staircase tax' by the media said Jerry Schurder.

All the Valuation Office Agency (VOA) sought from the UKSC was approval of its long-standing approach to separately assess floors in a building of single occupation, where those floors are not adjoining. The court agreed and determined that the second and sixth floors at the property concerned, both occupied by Mazars, should each have their own rates assessment.

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But the UKSC went much further and ruled that even adjoining floors should be separately assessed if the only access between them was by means of a common part, such as a lift or stairwell (hence ‘staircase tax’), also available to other occupiers at the property.

As a result of this judgment, the VOA embarked on a programme to split the assessments of adjoining accommodation where access between the parts was via a corridor or stairway used by others. The impact on rates bills was significant in two circumstances.

No straightforward matter

We are often able to agree valuation discounts when businesses occupy multiple floors in a single office building but all these savings were wiped out when the VOA created separate assessments for each floor. To add insult to injury, the increases were backdated, in some instances to April 2010.

Similarly for adjoining small suites, such as serviced offices, accessed via a common corridor or staircase, splitting these assessments didn’t usually lead to an increased value, but the occupiers often lost out on the small business rates relief (SBRR) they had benefited from previously, a key qualifying criterion for which is that the ratepayer occupies only one rateable property in England.

Given the media storm about the ‘staircase tax’, I anticipated the chancellor would take action in the autumn Budget to prevent the loss of SBRR but it was a pleasant surprise to learn the government plans to go further and legislate to reverse the effects of the decision.

So far so good, but it is no straightforward matter to specify in law what previously was adopted VOA practice. Indeed, just after Christmas, a consultation document was issued accompanied by a draft bill, with responses required by 23 February. Rating practitioners will no doubt have spent many enjoyable hours over the holidays poring over every word. Once parliament has passed the bill, it will then also need to amend rating regulations.

Unfortunately, therefore, businesses adversely affected by the ‘staircase tax’ will have to wait some months at least until they can seek a refund of these unfairly imposed rates charges.

How are English councils spending your taxes?

Most local authorities in England are planning to increase their council tax this year, to pay for local services.

Councils in England receive their money from:
council tax
taxes paid by local businesses
grants from central government
rent from social housing
fees and charges (parking for example)
Schools, most of policing budgets and public health are funded by separate pots of money from central government. These are administered by councils, but they don't have much discretion over how they spend them.

Council tax hikes planned 'across England'

But council tax makes up the biggest chunk of money councils have to pay for everything else, from libraries to bin collection to caring for the elderly.

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The rest comes from business rates - a tax that businesses have to pay on their properties - and a few small grants from central government, mainly the Revenue Support Grant, which is not ring-fenced.

This grant comes from the 50% of their business rates that councils have to return to the Treasury, to be distributed according to need.

This week, local government's financial settlement for the year ahead was announced - but to see how the money is actually spent, we have to look at this year's figures.

In 2017-18, English councils' core budgets totalled about £44bn - of which about £25bn came from council tax and £17bn from a combination of local business rates and the Revenue Support Grant.

Here's how it was spent:
Adult social care (£15.6bn)
Children's social care (£8bn)
Environmental services including waste collection, recycling and street maintenance, cremation and burials, crime reduction and community safety (£5bn)
Transport and highways (£4.2bn)
Central services including courts (£3bn)
Cultural services like libraries (£2.2bn)
Fire services (£2.1bn)
Some elements of housing (£1.5bn)
Planning and development (£1.1bn)
Council taxes pay for everything from libraries to burials

The Revenue Support Grant - the money from central government which councils can spend how they see fit - has fallen dramatically over the past few years.

As councils receive less money from central government, they rely more on the money they are able to raise through council taxes - but this varies around the country.

Areas with less well off populations have fewer people paying council tax and generally lower tax rates, meaning they are less able to raise money this way.

Can councils raise more?

In 2015, government announced councils would soon be able to keep 100% of their business rates - something which is currently being piloted.

This is welcomed by some who see it as a way of giving councils more freedom and a stronger incentive to grow their local economy.

But critics say this would be a regressive move, since poorer areas are both less able to raise money through business rates and often have higher needs, making delivering services to their local populations more expensive.

For example, areas with poorer populations will have more elderly people who require council-funded social care.

In 2015, many councils were also given the power to levy a 2% council tax precept, ring-fenced to be spent on adult social care, every year for three years without having to go to a vote.

The next year this was adjusted so councils could raise tax by an extra 3% for two years, meaning they could bring the extra money in more quickly.

Council tax rises on the way as local authorities try to stay afloat

95% of councils in England could increase charges in April, while some will cut services

Local authorities in England are teetering on the edge of a financial crisis, with most planning to increase council tax from April while continuing to cut services, a survey has found.

The annual finance survey from the Local Government Information Unit thinktank (LGIU) comes days after Northamptonshire county council became the first town hall in two decades to declare effective bankruptcy. Severe financial pressures had left the council unable deliver a workable budget.

The LGIU warned that the Northamptonshire crisis was potentially the “tip of the iceberg”, with four-fifths of councils concerned about their financial sustainability amid uncertainty over funding and the accelerating costs of social care.

“Councils are on the edge. They are, for the most part, holding services together – although a significant minority are not. But they can only do this by raising council tax, increasing charging and draining their reserves,” said Jonathan Carr-West, chief executive of the LGIU.

Lord Porter, the Conservative chair of the Local Government Association (LGA), said the survey showed some councils were being pushed “perilously close to the financial edge”, adding that many more would face huge challenges in setting budgets for the coming year.

“Extra council-tax-raising powers will helpfully give some councils the option to raise some extra income, but will not bring in enough to completely ease the financial pressure they face,” he said. “This means many councils face having to ask residents to pay more council tax while offering fewer services as a result.”

Local Tory MPs and Labour politicians have called for Northamptonshire to be taken over by government commissioners. The council forecasts a £21m overspend for the current year, and has warned that its finances will remain “grave” in the near future as it struggles to make £34m of cuts on top of the £376m made since 2010.

Earlier this week, ministers sought to head off a rebellion by backbench Tory MPs in shire areas by announcing an additional £150m of funding for adult social care in 2018-19, together with extra cash for rural areas. However, critics warned this was inadequate to meet long-term pressures.

The Ministry of Housing, Communities and Local Government said: “Our finance settlement strikes a balance between relieving growing pressure on local government while ensuring that hard-pressed taxpayers do not face excessive bills.

“We have listened to representations made from councils and delivered on these with extra funding. Overall, councils will see a real-term increase in resources over the next two years, more freedom and fairness, and with a greater certainty to plan and secure value for money.”

The problems facing local authorities are underlined by a National Audit Office (NAO) report that says England faces a recruitment crisis in social care, driven by poor wages and working conditions. It says current low rates of recruitment will not meet the estimated need for between 350,000 and 700,000 extra care workers by 2030.

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Ministers have no up-to-date workforce strategy and have effectively ignored the growing crisis in social care staffing, the NAO report concludes. It says workforce planning is difficult while there remains little clarity about the sustainability of local authority spending on social care, which has fallen by 5.3% since 2010.

Brexit barriers on overseas workers could exacerbate the care worker shortage, the report suggests. There were 95,000 non-British European Economic Area nationals working in care in 2016-17, equivalent to 7% of the total workforce, although this rises to as much as 20% in parts of London and the south-east.

Meg Hillier, chair of the public accounts committee, said: "The NAO's report shows the social care workforce is in a precarious state. We are increasingly dependent on care workers to look after ourselves and our families, yet the profession suffers from low pay, low esteem and high turnover of staff."

The LGIU survey found spiralling demand for adult social care remained the greatest long-term pressure on council budgets, although a third of councils now say children's social services funding is the biggest short-term challenge, fuelled by rising numbers of children being taken into care.

The thinktank said the vast majority of councils planned to make ends meet in 2018-19 by increasing council tax and drawing on "rainy day" financial reserves, as well as raising or introducing charges for services including parking, garden waste disposal, burial, planning, home care and meals on wheels.

Some of the respondents to the survey said charges would rise above inflation. One said charges would be imposed "wherever we can". Another said parish councils would be asked to see if local residents would fund services such as grass cutting on roadside verges, youth clubs and street lighting.

"The situation is dire," one respondent said, adding: "We pay for parking – why not pay for [access to] domestic waste sites, bus passes, etc?"

At the same time, many councils admit they are planning to reduce services further, with over half aiming to cut spending on parks and leisure centres, and a third lining up cuts – or further cuts – to social care, youth centres, libraries, art galleries and museums.

Almost all councils (95%) say they are planning to raise council tax this year – a far cry from 2012, when the same proportion froze rates, encouraged by ministers. Many councils plan to increase council tax by 6% in 2018-19 – the maximum allowed – including 3% earmarked to fund social care.

With conventional funding sources shrinking, three-quarters of councils say they are considering investing in local commercial property developments, commercialising council services or buying investment properties as a way of generating cash.

England's councils have experienced a 40% cut in their funding from central government since the start of the decade. The LGA estimates that they face a £5bn funding gap by 2020, which could potentially push many councils to breaking point.

The LGIU survey analysed responses from about 113 individual county, district and unitary councils – around one third of the total in England. Nearly 70% of those that responded are under Conservative control.

A Department of Health and Social Care spokesperson said: "Everyone is entitled to good-quality care and we recognise there are challenges – that's why we will shortly publish a health and care workforce strategy to address these issues."

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Public Land Value Capture: A new model for housing development in Scotland

Submission to Planning Bill stage 1 consultation

THE Scottish Government should change Planning laws so that the public-sector captures the uplift in land value that is derived from public investment in the land to finance a new generation of public housebuilding in Scotland, Common Weal has argued.
'Public Land Value Capture: A new model for housing development in Scotland' can be accessed in full here.
In a submission to the Scottish Government's consultation on stage 1 of its Planning Bill, which closes today, Common Weal proposes that: "Public authorities should have the legal means to purchase land at existing use value, so that the uplift in land value from planning permission for development of the land is captured for the public good. The effect of this will be to reduce the cost of land for development considerably, as planning permission can increase the value of land by one-hundred fold or more."
A similar idea was cited in The Guardian on Thursday (1 February) as being under consideration by the Labour party UK-wide, but it would be possible for the Scottish Parliament to amend the Planning Bill to introduce this now in Scotland.
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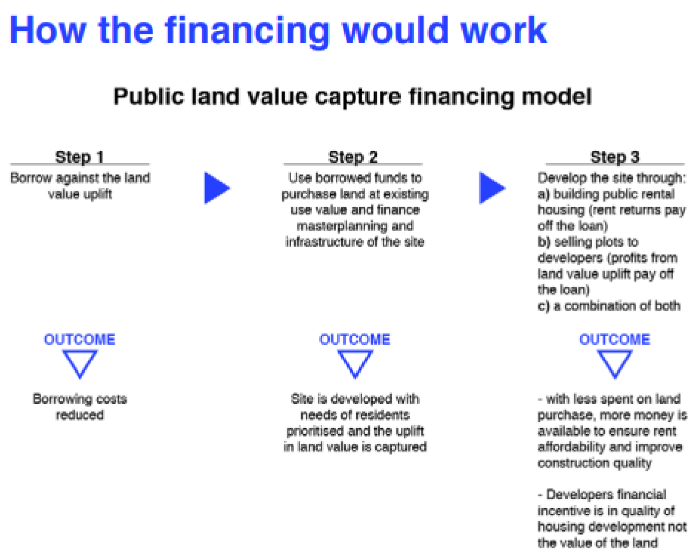

The proposal would mean public authorities would identify simplified development zones which would be priority areas for public-led development, especially for housing. The land in these zones would be purchased at existing use value, rather than the current policy of purchasing the land at the anticipated future value once planning permission is granted (known as 'hope value').
Public authorities would borrow against the future uplift in land value from the granting of planning permission to develop the site. This borrowed sum could then be used to fund the master-planning, infrastructure and construction of public-rental housing, while some plots could be sold-off to the private sector at a profit. Either way, the reductions in land costs would eliminate land speculation in the development process and increase the affordability and quality of housing development.
According to the ONS, the cost of land has risen enormously in the UK over the past 20 years, from £1.5 trillion in 1995 to £6.8 trillion in 2016.
A similar approach, cited in the paper, is currently utilised in the Netherlands and Germany, where the cost of housing is significantly cheaper than in Scotland. It was also used in the UK after the second world war, including to build Scotland's New Towns, but was repealed in 1959.
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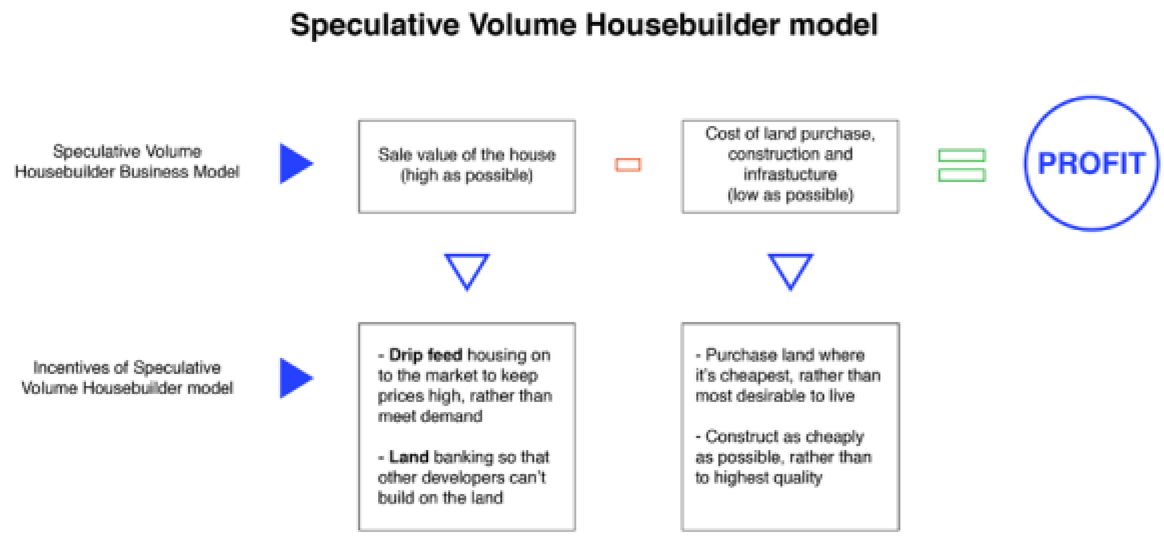

Robin McAlpine, Common Weal Director, said of the submission:
"The benefit that would come to Scotland from being able to build high-quality, affordable public rental housing by letting the public sector buy land at a fair price and not the crazily inflated prices of the out-of-control housing market would be enormous. Developers making huge profits from doing nothing more than buying land and then pocketing the value that public planning permission adds to that land has loaded extra cost on the mortgage of every homeowner in Scotland. It is time for the public to take back control."
Ben Wray, Common Weal head of policy, stated:
"Unlocking land to make it work for the public good rather than to be speculated upon is the key to transforming the housing system in Scotland. To do this we only need to re-learn the lessons of the past, lessons that countries like Germany and the Netherlands have never forgotten – that the financial value contained in the granting of planning permission is a public good, one that the public should benefit from when it invests in the land.
"This simple idea was written into UK Government legislation after the second world war and made a major contribution to building a new generation of public housing in that era, including Scotland's New Towns like Cumbernauld and East Kilbride. Now, with land values more than tripling over the past 20 years, it is essential to introduce this public land value capture policy again, and it is within the Scottish Parliament's power to amend the Planning Bill to make this happen."

SCOTLAND - Scottish businesses facing multi-million pound rates bill

SHOPS in Scotland face paying £14 million more in tax this coming year than they would if they were based down south, new figures reveal.

Firms across the country continue to pay more tax than their English counterparts after the Scottish Government failed to revamp its controversial large business rates supplement.

Figures previously showed large and medium-sized Scots firms will pay £64m more in rates next financial year than those of a similar size in England – and now a full breakdown details the impact on each sector for the first time.

Hotels will pay £2.85m more and manufacturing premises will pay an extra £10.8m, data reveals.

Meanwhile, offices face stumping up some £8.15m more than they would in England, while pubs will fork out £850,000 extra and utilities some £11.85m more.

David Lonsdale, director of the Scottish Retail Consortium, called on ministers to take further action to mitigate the impact on firms.

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He said: “It remains the case that far too many Scottish shops will still be paying more in business rates than comparable premises down south, equating to £14 million extra this year compared to English based counterparts and competitors.

“In fact retail accounts for almost a quarter of the 22,000 commercial premises affected by this Scotland-only rates surcharge, and we should all be concerned about the investment-sapping impact of high business rates on our town centres and high streets.

“We hope Scottish ministers will take further action to level the playing field and create a more competitive environment for Scottish retailers, who are already having to contend with a hotchpotch of government-imposed costs including the apprenticeship levy and rises in employers’ pension contributions.”

Mr Lonsdale said shops would be unwilling to hike prices to cover the extra costs, due to fears this might drive customers away at a time of increasing competition from online retailers.

He added: "Everyone want to retain as much custom as possible. If you put prices up, you risk others winning that business."

The Scottish Government expects to raise £127.8million in revenues from the large business supplement – which is paid by one in eight commercial premises in Scotland – in the next financial year.

The SNP doubled the supplement larger firms pay in 2016, hiking it from 1.3p in the pound to 2.6p. This is added to the poundage rate for non-domestic rates for larger businesses.

Finance Secretary Derek Mackay previously said this will be reduced by the end of the current parliament "should it become affordable", but retail chiefs have urged him to act faster.

The latest figures were released by Mr Mackay after a parliamentary question by the Scottish Conservatives.

Scottish Tory shadow economy secretary Dean Lockhart accused the SNP of running a "high-tax, anti-business government".

He added: “How can the SNP government expect businesses to expand and create more jobs when they are punished in this way?"

A Scottish Government spokeswoman said it was offering rates reliefs worth £720 million next year.

She said: “We are committed to supporting business and growing Scotland’s economy and recently accepted the vast majority of the recommendations of the Barclay review of non-domestic rates, going beyond Barclay with additional pro-growth measures in a package widely welcomed by business.

"If a ratepayer disagrees with the Assessors independent valuation of their property they have the right to challenge this.

“We offer will rates reliefs worth £720 million next year including the small business bonus scheme, which will remove the rates burden entirely for 100,000 commercial premises across Scotland."

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