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Sent: 09 October 2004 21:14

To: SirMichaelLyons@lyonsinquiry.org

Subject: Balance of Funding/ Alternative Forms of Local Taxation and impact on Parish and Town Councils

I want to ensure that the impact of any proposals on the balance of funding and consideration of alternative forms of local taxes take into account the impact on Town and Parish Councils. I am not at this stage presenting a paper. Were I to do so it would demand a great deal more thought and time. However after studying (in some but not full depth) the balance of funding review, I am not satisfied that this aspect has yet been properly or effectively considered.

There are in excess of 8000 Parish and Town Councils in England, and similar arrangements outside of England. The number is growing and the proportion of local government expenditure for which they are responsible whilst small is also growing and in some areas it is significant. They are no longer a rural only phenomena. For example my City of Milton Keynes is fully Parished and has been for a number of years now. The powers of Parish Councils have also been extended (for example Crime and Community Safety and Local Transport) in recent years.

As they do not receive RSG they are paradoxically potentially more affected by any changes made to local taxation systems than other local authorities. They set extremely variable precepts (far more varied than any other tier of local authority and there are currently no resource equalisation systems. This latter point is already a problem especially where Parish Councils have extended into the Urban area. For example in Milton Keynes (I do not apologise for keep mentioning MK as it is by far the largest example of a fully Parished Urban area the yield obtainable from a £1 Band D Tax currently ranges from 67p per property in one Parish (where the bulk of the properties are in the lower CT bands) to £1.30 per property in another adjoining Parish (where the majority of the properties are in the higher CT bands) This problem is multiplied because not surprisingly the

parishes with the lowest yield tend to be the most deprived and with the greatest spending needs and where incomes from other sources such as fees and charges are likely to be lowest.

There would be great merit in considering the impact of the Status quo and any proposed changes on Parish and Town Councils. I have heard it suggested that if a proposal is made of r say LIT to supplement Council Tax this would leave the Parish and Town Councils unaffected as they would continue to precept through the remaining Council Tax. Whilst true this would not leave them without impact, as it would leave them considerably exposed as they would then form a much larger proportion of the Council Tax bill and this in turn would expose the difficulties arising from the great variation and lack of resource equalisation to a much larger degree than at present. Years ago of course Parish Councils also received local business rates., but they do not receive any now not even through the redistribution system applying to UBR.

In Milton Keynes several Parish Councils have a Band D Tax in excess of £70 to £85 (though others are much lower) and it is likely that some will precept over £100 in the next year or so. It is thus a considerable sum that can form a significant proportion of the whole. This impact increases the more that services are devolved to parish Councils as is increasingly happening by both design and default in Milton Keynes.

It is hard to envisage how Parish and Town Councils could be involved in any local income tax, and the impact on Parish and Town Councils of any changes needs to be considered very carefully. Even decisions such as revaluations, and any widening or narrowing of Council Tax bands would impact greatly on different Parish Councils in different ways and without any system of resource equalisation could have some very serious local impacts which need to be considered.

I would be very happy at some future date to submit more detailed observations. My aim at this stage is to merely highlight the extent to which Parish and Town Councils could be affected by the

considerations of your review at a time when I expect the implications for such Councils have barely been considered in the context of this review thus far. Whilst understandable given the much greater political considerations that apply to Principal Local Authorities, there is a very real danger that important implications could be left to technical considerations at the end of the exercise. Not only would this show that the devil was in the detail but it would do a great injustice to the 8000 local authorities and perhaps 100,000 or so Parish and Town Councillors involved and even more important the local communities that they serve.

Yours sincerely

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