

the case for reform

Developing a council tax fit
for the 21st century



About CIPFA

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our members and trainees work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

CIPFA is grateful to Kerry Lorrimer for her work in writing this report.

\ foreword

The financial challenges now facing councils are unprecedented. The local government sector as a whole is grappling with a long-standing funding shortfall that will push more authorities into a precarious position – calling into question the viability of essential services in the future.¹ According to our research the majority of councils were in a stable financial position during 2018, but around 10-15% showed signs of risk to their financial stability.

In the face of intense financial pressure and soaring demand, the local government sector has innovated relentlessly and proved itself capable of creativity, collaborative working and simply doing more with less.

Against that backdrop local taxation has taken on a new prominence. The reduction in central government funding in recent years has made council tax and business rates critical sources of revenue, and an ambitious programme of reform to the local government funding system has fuelled a debate over how best to meet the complex and varied needs of councils across the country.

The question is whether council tax, already under immense pressure, is up to the task. The regressive nature of the tax has been amplified by the significantly out-of-date property values on which it is based, and it is hard to see how the current system can be sustained without a meaningful programme of reform – including a long-overdue revaluation.

Similarly, there are serious questions over the ability of council tax support to meet the needs of those on the lowest incomes. These concerns have only intensified following the localisation of the scheme in England that saw overall funding for council tax support cut. Pensioners were protected, leaving councils to manage the fallout for working-age claimants².

None of these issues are easy, and recent political history illustrates the peculiar sensitivities of local tax reform. However, there is an important role for finance professionals in the public sector to provide the evidence, the expertise, and above all the insight on which a more progressive and sustainable system can be built.

Rob Whiteman
Chief Executive, CIPFA

¹ *Measured Resilience in English Authorities*, CIPFA, 2018

² The impacts of localised council tax support schemes, Institute for Fiscal Studies, January 2019

executive summary

This insight examines the case for reform of local taxation against the political, financial and social landscape in which councils now operate.

Council tax has many clear advantages: it is transparent, easy to calculate and straightforward to collect. It is also hard to evade, and keeps the tax base desirably broad. For the local authorities that administer it, it provides a stable and predictable source of revenue. These strengths are common to most land and property taxes, which is why these have, in some form, been adopted in most advanced economies.

However, the tax also has significant weaknesses, both as a means of funding local services and strengthening local democracy. The system of bands on which council tax is based is inherently regressive, with those in the most valuable properties paying less as a proportion of their property's value than those in the cheapest homes. Over time, this perception of unfairness has intensified as the system is based on property values which were, for most of the country, last assessed in 1991. In addition, regional variation in property values has meant higher-value areas, for example inner London boroughs, can afford to set a lower rate of council tax to fund a certain level of services.

So far, the desire for reform has been stymied by the reluctance of successive governments to introduce a new system which understandably could prove electorally disastrous. Almost three decades on the memory of the poll tax is seared deep in political consciousness.

In particular, successive governments have sidestepped the long-overdue revaluation of property prices that would bring the system up to date, but in doing so create losers as well as winners. Those whose properties have risen in value faster than average, and so would move to a higher band, are likely to be more vocal than those who would find themselves in a lower band because the value of their properties had grown more slowly.

However, the financial and political landscape now provides not just the imperative but a positive opportunity for change. Budgetary pressures on councils, and the public sector as a whole, have opened a new debate about how local services should be funded, and changes to the way resources are allocated to different parts of the country have created the potential for local tax reform to pave the way to greater financial autonomy for local government.

That will, without doubt, involve reform of the current council tax in order to address its underlying weaknesses while retaining its many strengths. However, it may also involve consideration of new forms of taxation that have the capacity to provide a degree of fiscal freedom, as well as much-needed resources, for councils who choose to adopt them.

CIPFA has a crucial role to play in determining a fairer and more sustainable alternative to the current arrangements. Any reform must have as its foundation the strongest possible evidence – backed up by open-mindedness, the willingness to learn lessons from elsewhere, and an acceptance that there will, inevitably, be winners and losers.

Change in a sphere as politically sensitive as local taxation will never be easy, but action already taken in parts of the UK to tackle council tax's flaws have shown that reform is possible. The challenge for public finance professionals is to play their part in developing a system of local taxation that is fit for the 21st century.

\ introduction

Council tax, as a tax on property, plays an important – and high-profile – role in the tax landscape. The arrival of an annual bill on the doormat makes the tax particularly visible to householders, and the lack of understanding of how the tax is calculated, and the way local services are actually funded, has fuelled confusion and discontent.

The tax was introduced in 1993 to replace the unpopular community charge, or poll tax, which had led to mass disturbances across the country and contributed to the demise of prime minister Margaret Thatcher.

The new tax, unlike its predecessor, was intended to take into account ability to pay, although it was not linked to income. The allocation of properties to an eight-band system, dependent on the valuation of each home, was designed to make the system fairer, as well as being simple to administer and cheap to collect.

However, recent years have seen increasing unease over the council tax's regressiveness and its failure to reflect current market values. This phenomenon is exacerbated by soaring house prices in some parts of the country and the fact that the system continues to be based on valuations which, for most of the UK, are now over a quarter of a century out of date.

The localisation of council tax benefit was the most significant change to the council tax system since its inception. While designed to give local authorities greater autonomy and to increase their stake in the economic future of their area, it also created significant challenges – not least because funding for the scheme was cut by 10% at the time of localisation.

Many of the concerns about council tax were captured in a report³ in 2018 from the Resolution Foundation's Intergenerational Commission which argued that the council tax is now too close to the poll tax it was intended to replace, and should be replaced by a more progressive levy on properties.

The Institute for Public Policy Research⁴ also found the tax had become increasingly regressive with regard to property values, and called for it to be abolished in favour of an annual levy proportional to the present-day value of homes.

However, calls for reform have so far failed to create political momentum, with none of the main parties at Westminster committing to an overhaul of local taxation, although Labour has mooted the idea of doubling council tax on second homes in order to tackle the housing crisis and reduce homelessness.

Beyond that, reform has been limited to the abolition of mandatory exemptions for properties that are vacant in the short term, with councils having the right to levy a surcharge of up to 50% on properties that have been vacant for over two years.

Small but significant adjustments put in place by the Scottish and Welsh governments demonstrate that change to the current system is possible, but there is no doubt that when it comes to radical reform, significant barriers remain.

3 *A New Generational Contract*, the final report of the Intergenerational Commission, Resolution Foundation, 2018

4 *A Wealth of Difference: reforming the taxation of wealth*, IPPR Commission on Economic Justice, 2018

current system

Under the current system, domestic residences are banded according to an assessment of their market value. The ratios between the eight bands (nine in Wales) are determined by central government, with, for example, the charge for properties in Band A set at two thirds of the level for homes in Band D.

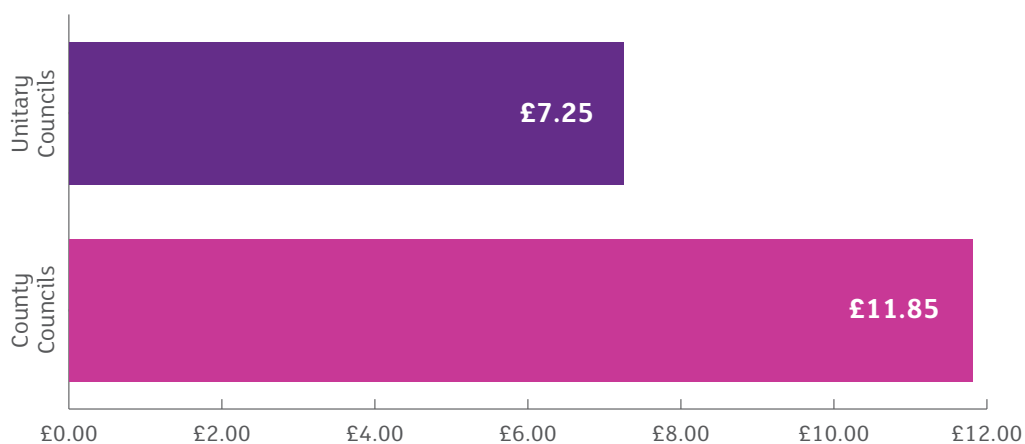
Property valuations are carried out by the Valuation Office Agency in England and Wales, and the Scottish Assessors in Scotland.

Council tax is set by each individual authority, with authorities retaining all revenues raised from the tax to support their budget. In areas with more than one tier of local government, the billing authority collects council tax to pay for its own services and, potentially, precepts set by a combination of the county council, fire and rescue authority, police and crime commissioner, combined authority and parish or other local precepting council.

Any English authority proposing an “excessive” increase in council tax must hold a local referendum and obtain a ‘yes’ vote before implementing the increase.

To date, only one referendum has so far been carried out, with voters in Bedfordshire rejecting a proposed increase of 15.8% in the policing precept in 2015/16 to fund extra officers.

In 2019/20, county and unitary authorities, which have responsibility for social care, faced a total threshold of 5%, of which 2% was available for adult social care and 3% for general spending. In total, these authorities were permitted to levy an adult social care precept equivalent to 6% on their part of the bill over the three years between 2017/18 and 2019/20.



The average amount in an annual council tax bill that is raised through the adult social care precept

Source: CIPFA Council Tax Statistics, 2018

The thresholds were 3% or £5.00 on a band D bill for district councils, 3% for fire and rescue authorities and the Greater London Authority, and £24 on a band D bill for police and crime commissioners. As in previous years, no principles were applied to parish and town councils.

An additional 2% threshold was available to Northamptonshire County Council because of its severe financial problems, meaning it would have required a referendum if it had proposed a council tax increase of 7% or more.

In 2019/20, the average Band D council tax set by local authorities in England was £1,747, up 4.5% on the previous year, with the social care precept accounting for 0.3% of the average bill.

Council tax is based on two adults being resident in a property. However, some adults are disregarded including carers, full-time students and those diagnosed as ‘severely mentally impaired’. Where there is only one adult resident, a 25% reduction is available. Where all adults are disregarded, a 50% reduction, or in some cases complete exemption, is available.

Those on low incomes or who claim benefits can apply to their local authority for council tax support – sometimes called council tax reduction of up to 100%. Eligibility depends on household income, personal circumstances and location, as all English councils operate their own scheme.

The localisation of council tax support was accompanied by a 10% decrease in overall funding, which, combined with the stipulation that entitlement for pensioners should be preserved, has put support for other low-income households under pressure.

In Scotland, there is a national scheme for council tax support which is administered by local authorities. In Wales, local authorities operate their own schemes, but in practice the same reductions apply across the country.

Table showing the average council tax bill by region for 2019/20 and the percentage increase on the previous year.

| Regions | Average Band D Equivalent | |
|-------------------------------|---------------------------|----------------------|
| | 2019/20 £ p | Percentage Change |
| South East (excluding London) | 1,813.68 | 4.2% |
| Greater London | 1,476.39 | 5.1% |
| East of England | 1,780.13 | 4.1% |
| East Midlands | 1,836.48 | 4.5% |
| North East | 1,883.95 | 4.8% |
| North West | 1,807.89 | 4.7% |
| South West | 1,846.46 | 4.6% |
| West Midlands | 1,732.00 | 4.7% |
| Yorkshire & the Humber | 1,746.31 | 4.5% |
| England overall | 1,747.00 | 4.5% |

Source: CIPFA Council Tax Statistics, 2018

According to the 2018 CIPFA Fraud and Corruption Tracker (CFaCT) survey, council tax fraud has been the most commonly reported issue over the last four years, representing two thirds of all fraud cases. However, although the volume of cases is high, the total value of council tax fraud is relatively low, accounting for £26.3m, or 8.7% of all fraud recorded by local authorities.

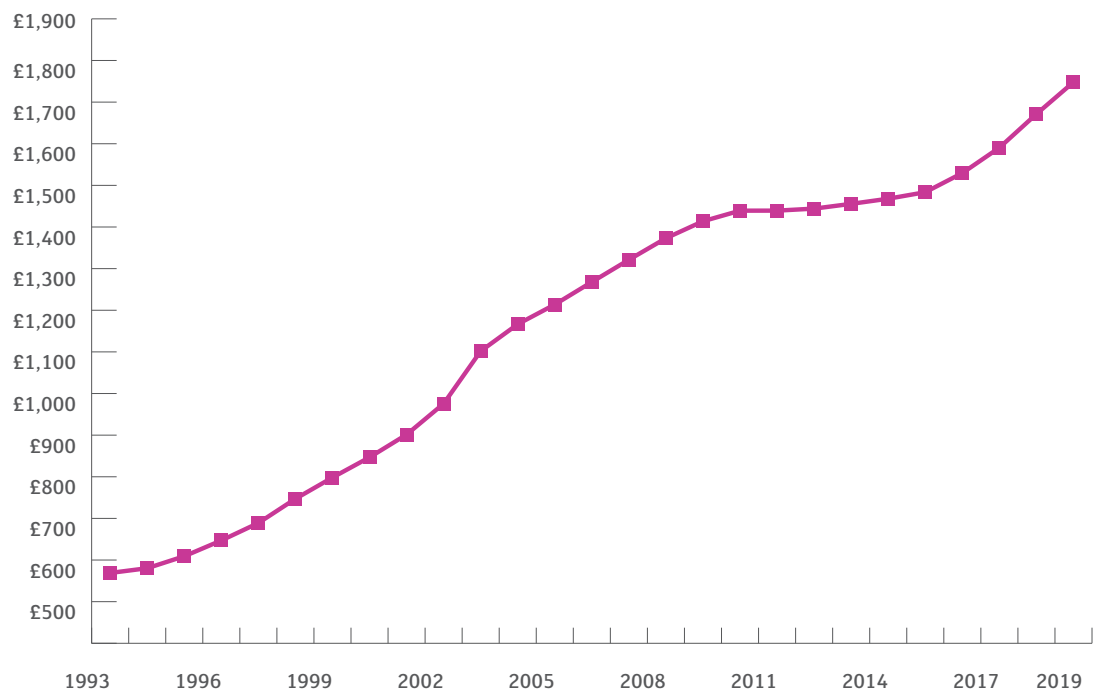
The biggest area of council tax fraud, by value and volume, relates to the single person discount, but fraud relating to council tax support increased.

Estimated council tax fraud

| | 2016/17 | | 2017/18 | |
|------------------------|---------------|---------------|---------------|---------------|
| | Volume | Value | Volume | Value |
| Single person discount | 50,136 | £19.5m | 46,278 | £15.8m |
| Council tax support | 6,326 | £4.8m | 8,759 | £6.1m |
| Other | 674 | £1.1m | 2,857 | £4.5m |
| Total | 57,136 | £25.5m | 57,894 | £26.3m |

Source: CFaCT, CIPFA, 2018

The increase in average council tax bills for Band D properties



\ challenges

Debate has intensified in recent years over the extent to which the current system is fit for purpose.

The core criticism of council tax is that it is highly regressive in relation to its tax base. This, according to the IPPR's *A Wealth of Difference* report, is due to three fundamental flaws.⁵

- 1** The amount paid in council tax is based on 1991 house values or 2003 in Wales. As a result, those areas with low house price growth since that date are effectively taxed more heavily, relative to the current property values, than those located in areas where prices have risen the most.
- 2** The band system on which the council tax is based is, by its very design, regressive, as the effective tax rate on lower-value properties is higher than that on higher-value properties. The highest valued property in Band H, the highest band, regardless of its value, will be taxed at no more than three times the value of the lowest valued homes in Band A.
- 3** There is a significant variation in house prices across the country. In high value areas, a larger proportion of properties fall into the higher bands, which allows local authorities to charge lower rates overall. Poorer areas, with lower house prices, are forced to set higher rates in order to raise the necessary revenue.

In recent years, in areas where the rate has historically been kept artificially low, councils have been prevented by the referendum limits from setting higher rates to “catch up”.

A report from the Resolution Foundation found that those living in £100,000 homes were, in 2015 paying around five times the tax rate, as a proportion of property value, of those living in homes worth £1m.⁶

One anomaly highlighted by the Intergenerational Commission illustrates the scope of the problem: a three-bedroom flat for sale for £2.1m in south London faced a council tax bill of £700 per year, while another three-bedroom flat for sale just one mile away at less than one-fifth of the price (£400,000) faced a council tax bill of £1,160 per year, 66% higher.

The problem is exacerbated by the width of the bands, as properties at the bottom of a band are paying a higher effective tax rate than those at the top.

According to the Intergenerational Commission, the distortion inherent within the council tax system has increased over time, with the burden falling particularly heavily on younger generations. Young adults, the commission notes, are more likely than their predecessors to live in the lowest, and most regressive, tax bands.

Council tax has also contributed to inefficiencies within the housing market. Second homes and empty properties are, according to the commission, subsidised through generous discounts, while the consumption of large houses is under-taxed relative to the consumption of smaller ones. Under-occupation is also subsidised through the single person discount. All of these factors, argues the commission, have contributed to rising house prices and inefficient stock allocation, and created additional barriers to home ownership among younger people.

5 *A Wealth of Difference: Reforming the taxation of wealth*, IPPR, 2018

6 *Home Affairs: Options for reforming property taxation*, Intergenerational Commission, Resolution Foundation, 2018

A separate set of challenges exist within the council tax support scheme. Since localisation, councils in England have had to choose whether to pass the cut in funding on to working-age claimants or to protect these entitlements and find money elsewhere to fill the funding gap. If they decided to pass the cut on to claimants, trade-offs would have to be made.

A report by the Institute for Fiscal Studies⁷ found localisation had resulted in “substantial cuts” to working-age support in England, with 90% of authorities opting to reduce entitlements for these claimants in 2018/19 below the level provided to pensioners in 2013/14. Noting the wide variation in schemes across England, the IFS said the decision to localise council tax support had created the potential for schemes to be tailored to local needs and preferences, but had also substantially increased complexity and bureaucracy.

£1,883

average council tax bill for a house in the North East

£128,680

average house price for band D in the North East

£1,476

average council tax bill for a house in Greater London

£478,853

average house price for band D in Greater London

⁷ *The impacts of localised council tax support schemes*, Institute for Fiscal Studies, 2019

council tax in the devolved nations

Scotland

The initial intention of the incoming SNP government in 2007 to replace council tax with a local income tax was dropped in favour of a commitment to introduce “a fairer system based on ability to pay”.

The cross-party Commission on Local Tax Reform set up in 2015 did not recommend any single alternative to the existing system, but said the current arrangements must end, with any replacement designed to be fairer, more progressive and more locally empowering.

In its submission to the review, CIPFA set out six principles against which local taxation should be assessed. It concluded that local tax should be set and raised locally, without intervention from the Scottish Government, and that the tax base should be current, meaning an immediate revaluation and further revaluations on an ongoing basis. Local accountability could be further enhanced by broadening the range of local discretionary tax powers available to councils.⁸

Following the review, the Scottish Government announced an overhaul of the system. This would see an increase in the multiplier for the top four bands, meaning higher bills for those in the most valuable properties, with an exemption for those on low incomes. It also announced the end of a nine-year freeze on council tax rates, instead capping increases at 3%.

Following intense lobbying by local authorities, the Scottish Government has now, as part of a deal with the Scottish Greens to agree the 2019/20 budget, committed to legislate for the introduction of a local tourist tax, as well as a discretionary parking levy in workplaces, excluding hospitals and NHS properties. It also agreed to convene cross-party talks on the replacement of council tax with a view to publishing legislation, if agreement is reached, by the end of the current parliament.

Wales

Wales is the only part of the UK to have undertaken a revaluation of house prices since the introduction of council tax. The revaluation exercise, which was carried out in 2003 and took effect two years later, saw a third of households move up a band while 8% moved down. It led to a 4% increase in revenue. An additional band was added at the same time to capture the small minority of properties valued at £424,000 and over.

Northern Ireland

There is no council tax in Northern Ireland, where a system of domestic rates operates instead. Since 2007, rates have been levied as a percentage of the estimated capital value of properties as of 2005.

The rate is composed of two elements: a regional rate set by the Northern Ireland Executive (or, in the absence of an Executive, through special legislation at Westminster) and a district rate set by each local authority.

⁸ Joint submission by CIPFA and CIPFA Directors of Finance Section, Commission on Local Tax Reform in Scotland, 2015

options for change

As the debate over the future of local taxation has developed, a number of proposals for both short and longer term reform have been put forward.

Detailed analysis of the options was set out in the wide-ranging Balance of Funding review, established in the wake of high council tax rises in 2003/04, and the subsequent Lyons Review into the form, function and funding of local government in England. The latter detailed an ambitious package of reform designed to pave the way to greater local autonomy, based on an improved relationship between central and local government.

Since then, momentum for reform has been sustained by academics, think tanks and campaigners for social justice. This report examines the case for the leading proposals in the context of the existing pressures on the system.

Short-term reform

Removal of council tax referenda and capping

Allowing local authorities to set tax levels to suit local circumstances, free from central intervention, is one of the central arguments of those wishing to see greater local accountability for local taxation.

Although the government rejected the recommendations the Lyons Review that council tax capping be abolished, arguing that households had to be protected from soaring bills, a strong case for local control has been consistently made by CIPFA and many others.

A key strength of local authority accountability is that council tax is set by the locally elected representatives who make spending decisions. These representatives are then accountable for their decisions at the ballot box.

Arguably, the principles behind the current capping regime have in any case been weakened by the complexity of the differing thresholds and precepts which make it difficult for taxpayers to understand how their council tax bill is calculated and where accountability for increases genuinely lies. In particular, the decision to allow Northamptonshire to levy an additional 2% has contributed to an acceptance that the capping regime can be breached when circumstances make it necessary.

Revaluation

Whether the existing council tax is retained, reformed or replaced by an alternative form of property taxation, the issue of revaluation is critical. The out-of-date values on which the current system is based is one of the main reasons it has become discredited. Once revaluation takes place, the process would have to be repeated at regular intervals thereafter to maintain the integrity of the tax.

CIPFA believes that the validity of any system of local taxation depends on its tax base being current. With the passage of time, increasingly out-of-date valuations erode the underpinning logic and rationale of the present local tax. The effect is to render a relatively simple form of taxation and a key lever of accountability much more difficult to understand.

Increase in number of bands

In Wales, an extra band was added to the top of the existing eight in 2005 to capture the highest value properties.

The addition of extra bands at the top or bottom of the council tax system would make the system slightly more progressive, although it would not address the underlying weaknesses of the band system. Also, unless it was accompanied by revaluation, the new system would continue to be based on severely out of date property values.

Change to band ratios

In Scotland, as part of a package of measures to make council tax fairer, the ratios for the top four bands were adjusted so that households within these categories – around a quarter of all homes – would pay more. Following the change, properties in Band H faced an average annual increase of just over £500 in their bill. Again, this is a change that would make the system more progressive, but does not deal with the limitations of the band system or the problem of outdated property values.

Reform of council tax support

In order to reflect actual levels of need, the localised system of council tax support must be transparent, properly funded and open to genuine local control.

Currently, the cuts in overall funding have forced councils in England to reduce the scope of their schemes, and the stipulation that support for pensioners must be preserved at the expense of working-age claimants has prevented authorities from directing the available funding as they see fit to meet the needs of their local population.

A review of council tax support would also provide the opportunity to ensure that the reformed scheme worked coherently with universal credit.

Removal of exemptions and discounts

There is a strong case for an overhaul of the exemptions and discounts that apply under the current system. In feedback to CIPFA, revenue practitioners suggest that this could be applied to single person discount, which is the element of the tax most open to fraud.⁹

Practitioners also suggested that the exemption for properties occupied solely by full time students, as well as the six-month exemption applying to empty properties owned by charitable bodies could be abolished.

CIPFA believes it would be fairer to allow local authorities to meet the needs of those on low incomes through the council tax support system, instead of awarding discounts automatically to those who live alone, but could have relatively high incomes.



Council tax support must be transparent, properly funded and open to genuine local control.



⁹ CIPFA Revenues and Benefits Network workshops, November 2018

Owner liability

The UK is almost unique among developed economies in levying a property tax on the occupier, rather than the owner, of a property. In Australia, no property tax is charged to tenants: liability for property tax, which is levied at both state and council level, falls only on owners. In the Netherlands, only the owners of property, and those who rent or own commercial space, are taxed. Under the Irish system, liability for the local property tax generally falls on the owner, although in leases over 20 years, the tenant becomes liable.

One potential reform of the current system would be to make the owner of the property, rather than the occupier, ultimately liable for payment of the tax, although in practice, the tax would be passed on to tenants in the form of higher rental charges – which in turn may have to be covered by increased housing benefit.

Owner liability would go some way to addressing concerns over the impact of the tax on those least able to pay, and also strengthen the principle that people should be taxed on the benefits of property ownership rather than simply possession. On a practical level, owners tend to be more stable – and therefore easier for billing authorities to trace – than tenants who may be a more transient population.

Long-term reform

New proportionate property tax

One of the leading proposals for reform is the replacement of council tax with a property tax calculated as a percentage of the current value of each property, along the lines of schemes operating in the US, Canada and Australia. Such a system retains the benefits of a property tax – stability, transparency, ease of collection – while addressing the inherent lack of progressivity, or “unfairness” of the current bands.

However, the system would have to be underpinned by regular revaluations to ensure that bills fairly reflect up-to-date property values, which would have resource implications for both the valuation and billing authorities. There may also be distributional implications for other parts of the local government funding system that would have to be fully considered.

Non property tax alternatives

Although relatively rare, a local income tax could be considered as an alternative to a local tax on property, similar to the income tax levied by most US states and many municipalities.

Following the 2007 election, the Scottish Government planned to replace council tax with a local income tax. However, concerns over the amount that would be raised by such a tax and the potential lack of local autonomy over rate-setting contributed to the proposal being shelved in favour of a more modest programme of reform to the existing council tax.

Tourist tax

The UK is currently one of the few countries in Europe where no tourist tax is levied, but, with the recent commitment of the Scottish Government to legislate on this issue, that is about to change.

Although the potential yield from such a tax is relatively small, and some councils would benefit more significantly than others, a new source of revenue would provide a useful additional fiscal lever for local government as a whole.

City of Edinburgh Council, one of the authorities that has lobbied most vigorously for the introduction of a visitor levy, has calculated that a charge of either 2% or £2 a night would raise up to £14.6m annually.

Cities across England, including Bath and Liverpool, have also expressed interest in the proposal.

Workplace parking levy

As part of this year's budget deal, the Scottish Government also committed to allow councils to introduce a discretionary fee for workplace parking, although hospitals and NHS property is excluded.

A similar scheme has been introduced by Nottingham City Council in order to tackle traffic congestion and to provide funding for major transport infrastructure initiatives. Employers in the city with 11 or more liable parking places will face a charge of £415 this year per place.

The levy is one way councils can raise much-needed resources while freeing up land and encouraging commuters to switch to more environmentally-friendly alternatives to get to work.

next steps

After years of budgetary pressure and unrelenting demand for services, there are signs that councils could be gaining greater financial autonomy.

As part of a wider overhaul of the local government funding system designed to improve the way councils' differing spending needs and ability to raise revenue are assessed, ministers have committed to allow councils to retain a higher share of business rate revenues. The proportion of gains or losses would be borne locally due to increase from the current standard rate of 50% to 75% in 2020/21.

In recent years, local authorities' income from grant has decreased and a higher proportion comes from business rates and council tax, meaning that locally raised taxes are more important than ever as a source of revenue.

However, these are unlikely to grow at a sufficient rate to match demand for services, and the strain under which council tax operates is only going to intensify – calling further into question its longer term sustainability.

For the council tax to continue to be viable, local authorities must have the power to set rates locally, based on up-to-date property values, and full control over how a properly funded council tax support scheme is used to meet the needs of those on the lowest incomes.

Abolition of the capping regime would free councils to set their budgets in a realistic, transparent and accountable way, while revaluation is long overdue to bring the tax base up to date.

Removal of the single person discount, together with the ending of the protection of pensioners under the council tax support system at the expense of working age claimants, promotes local accountability by giving councils the power to target assistance where it is most needed.

Without these changes local authorities must have the flexibility to use other levers to raise revenue for essential local services currently being squeezed, largely due to demand for social care. That means councils having the right to levy a range of smaller local taxes – such as on tourism – where they judge this to be appropriate to local circumstances.

The current review of local government funding must include consideration of how a reformed council tax, with the possible addition of smaller discretionary local taxes, has the potential to contribute to local government funding in the future. In the longer term, consideration should potentially be given to an alternative proportionate property tax or local income tax.

\ conclusion

After years of inertia, the pressure under which the local taxation system operates has the potential to become a lever for change. As well as the potential to create a fairer, simpler and more up-to-date system of local taxation, policymakers have the scope to increase local autonomy, tackle inequality and bring about positive change in the housing market.

However, to achieve that, a consensus must be built both politically and across society as a whole about the urgent need for change. That will involve the strongest possible evidence base about implications of different options and attractions, and an acceptance that any change will have winners and losers.

Reform is now long overdue. By starting to put in place the changes that will address the underlying weaknesses of the current arrangements, while retaining its strengths, all parts of the UK can move towards a system that is more progressive, more efficient and more sustainable.



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