

Poll Tax Troubles

Lessons For

The Locals

Relations between central and local government have long been fraught with tension, as Alan Alexander explains

The Conservative government's crisis over the poll tax brings into sharp relief tensions in the relationship between central and local government. It would be a mistake, however, to see the tax and the intense problems of implementation, first in Scotland, and then in England and Wales, as a political issue separate from the historic development of that relationship. Rather it has been the most dramatic outcome of a process that has been underway since the end of the second world war.

It is important also to examine the Tories' crisis in the context of what the choice of a local tax system says about national politicians' views of local government and local democracy. A good local tax should support local democracy and promote local autonomy, so it should have four attributes: it should be cheap to collect; it should be difficult to evade; it should be naturally buoyant, ie, the amount collected should increase without having to raise the *rate* of tax; and it should be comprehensible.

Income tax performs tolerably well on all these criteria. So also did the rates, although their buoyancy was continuously and seriously undermined by the failure of successive governments to reassess regularly the property values upon which the tax rate was levied.

For 30 years after 1945, local public

spending grew continuously, funded by a combination of local revenue raised from the rates and generous grants from the exchequer, ultimately through the mechanism of a 'rate support grant'. It is often argued that this system, by relying on autonomous local tax and a grant that did not specify how local councils should spend the money they received from the centre, defended the principle and practice of local democracy, while allowing the government to influence the overall total of local spending. In reality, the consensus over the importance of local public services and the commitment of successive governments, both Labour and Conservative, to support them ensured that the tensions inherent in the central-local relationship were relieved by the continuous application of money raised by national rather than local taxation.

The current conventional wisdom that the rates had become so unpopular, that their abolition was inevitable, developed relatively recently: about the time that the postwar consensus over the role of government in the United Kingdom began to collapse under the pressure of the oil shock and the inflation that followed it. For at that time, concern about the level of public expenditure began to take precedence over a concern for the quality of public services.

Until the election of the first majority

Labour government in 1945, local government, though granted most of its powers by parliament, was regarded as autonomous within its own sphere of operation. Local authorities were empowered by national legislation to design and provide services to their communities. National power was used sparingly. Dramatic interventions - as when Labour councillors in Poplar were prosecuted over the administration of poor relief - were rare and confined to issues where the actions of local authorities were unlawful rather than simply politically unpalatable. In times of economic or fiscal crisis, such as the aftermath of the fall of the Labour government in 1931, national pressure on local expenditure was based upon general exhortation rather than specific intervention.

The decisive change of direction in central-local relations come with the general election of 1945, when Labour adopted a new national view of local government. In its manifesto, Labour acknowledged that if the welfare state were to be established and social justice ensured, the role of local authorities would be crucial to the process of implementation. This view was consistent with the radicalism of the programme and commanded very wide support; but in taking it Labour moved from the acceptance of autonomous local government to the assertion of instrumental local government. This change meant that henceforth the value of local government would be judged by its capacity to deliver services promised and specified by national politicians.

Thus, where the judgment was that local institutions were not capable of administering a national service, new institutions were created, as in the case of the National Health Service and the nationalisation of municipal utilities, both of which removed powers from local councils. Where the government's objectives could be met through local implementation - housing, education, social services, planning - their achievement was generously funded by the exchequer. This diminished local autonomy, weakened local democracy and increased centralisation. However, it also led to the improved services that were the justification for the welfare state and so changes to the texture of central-local relations were accepted or simply ignored.

The period of 'positive instrumentalism' lasted until the mid-1970s. It could survive neither the collapse of the postwar consensus on the value of public expenditure nor the perceived need for austerity created by the inflation of the early 1970s. It was succeeded by a more negative relationship in which central government sought to use its influence on and partial control over local authorities to reduce the amount spent on local public services.

This move from positive to negative instrumentalism meant that the inherent tensions would begin to dominate the central-local relationship. National

Tax Fax

Government estimate of total council spending (England and Wales) 1990/91 **£50 billion**
Likely actual total of budgeted council spending 1990/91 **£53 billion**
Government target for national average poll tax **£278**
Estimated actual national average poll tax set **£365**
Highest poll tax set so far London Borough of Haringey (Labour) **£572**
Lowest poll tax set London Borough of Wandsworth (Conservative) **£148**
Average poll tax set by Conservative councils (175 authorities) **£345**
Average for Labour councils (116 authorities) **£367**

Percentage overspend above government targets:
Conservative councils **31%**
Labour councils **35%**
SLD councils **36%**
Independent councils **36%**

Average rate level (England & Wales) 1989/90 **£274**
Likely average extra cost this year to each household over their last rates bill **£170**

The Scottish Experience

Average poll tax in 1989/90 **£301**
Average set for 1990/91 **£328**
Estimated non-payment for 1989/90 **15-20%** of Scottish population

So far, over 800,000 people have 'defaulted', ie, are in excess of three months in arrears or liable to be served with a warrant for non-payment
Estimated non-payment in Glasgow **1 in 3**
That is **146,000** defaulters

Strathclyde Regional Council has 1,793,000 poll tax payers. The council makes 70,000 amendments a month to their register. They have employed 630 extra employees and 450 new computers to administer the tax. They estimate their additional running costs to be £13m.

policies became dominated by the 'need' to control public expenditure. Pressure on local-authority budgets increased continuously through the period of the 1974-79 Labour government. The national total of local spending was squeezed by progressive reductions in central financial support. Councils which resisted could continue to finance local services only by raising rate levels and these levels were applied to a tax base which had lost much of its buoyancy because there had been no revaluation since 1973.

With the election of the Thatcher government in 1979, ministers found it easy to deploy the central-local relationship that had developed under Labour, in the pursuit of other political objectives. There was a continuing concern with the level of public expenditure, but it was supplemented by an intention to 'roll back the state'.

The government's motives were based on a number of untested and unproven assumptions: that public provision was inherently profligate; that, in particular, local authorities provided low-quality services that people did not need or, if they did, that they should provide for themselves; that expenditure on public resources diverted resources from private enterprise. Because local government delivered the most labour-intensive services, its call on

resources was particularly heavy and so it was essential to constrain further its expenditure. In an effort to be selective and so concentrate pressure on high-spending Labour authorities, the government began to intervene directly in the affairs of individual councils, first by manipulation of grant and then by rate-capping, justifying its actions in terms of the need for economy and efficiency.

Selective intervention was also justified by the need to compensate for the lack of accountability in the local tax system. Because of the failure to re-value and the lack of buoyancy that resulted, the impact of the rates had to be cumulatively modified. This was done by rebates to people on low incomes and the payment through the rate support grant of a subsidy to all domestic ratepayers.

The effect was to change the balance between the proportion of local revenues raised from individuals and that paid by business and industry. Ministers argued, or rather implied, that this lack of accountability arose from the political decision of Labour councils to maintain the level of local services in the knowledge that the bulk of the costs would fall on business rather than on the individual ratepayer. In fact, it was an inevitable result of the degradation of the rating system, compounded by changes

to the central grant.

There was no doubt about the growing unpopularity of the rates. Those who were not entitled to rebates were faced with higher bills. Those who were, could be said to be insulated from the costs of local services. Few people understood the link between rate levels and the cost and quality of local services. The methods of distribution of central grant had become more concerned with the pursuit of the centre's political objectives than with supporting services or promoting local autonomy.

All these forces came together with the rating revaluation in Scotland of 1984. An attempt to deal with the degradation of the rating system after a period of rapid inflation produced dramatic increases in tax liability and instant furore. It became politically urgent to implement the longstanding commitment, first made by the Conservatives in 1974, to abolish the domestic rates. The promise to do so applied first to Scotland, but it was clear that it would soon be applied to the rest of Britain.

The emphasis had shifted decisively from a concern with service levels and aggregate expenditure to a concern with accountability and the expenditure of individual authorities. In the Tory lexicon, for 'accountability' read 'pressure to reduce public expenditure' especially where it was seen to be borne, disproportionately and unfairly, by Conservative supporters. For there was in the rating system a rough and ready redistributive element that the Thatcher government found unacceptable.

If the political objective was to reduce public expenditure by increasing the accountability of local decision-makers, then the poll tax was seen to be ideal: bringing directly into the tax net those whom the Tories saw as contributing too little and gaining too much under the rates. If it could be combined with the removal from local government of the power to tax the business sector it could also be argued to bear directly on the problem of diverting to public services resources needed by private enterprise.

If it had been left at that, it might have worked. But a fear that Labour councils would continue to provide a high level of services and retain the support of the taxpayers, led the government to modify the tax in an effort to protect taxpayers from the initial impact. Central grant was manipulated; rates of tax were modified by a complex and apparently random system; and it seemed clear that ministers would intervene to limit the tax rates of individual councils. All these modifications undermined the one alleged strength of the tax - its capacity to increase local accountability.

Thus the government was faced with the shambles of implementation. Arguably, given its history, no other outcome was possible, following as it did from a view of local government that ensured the introduction of a tax with none of the essential attributes of a good local tax.

'There was in the rating system a rough and ready redistributive element that the Thatcher government found unacceptable'

