Council Tax Revaluation

Late last week the government announced no council tax revaluations in this parliament.

Of course, councils will still be free to change the level of taxes (at least once the government removes its centrally imposed freeze). So this announcement is about the distribution of the burden of council tax rather than the overall amount. Holding off on a major revaluation exercise probably makes sense when we are promised a full review of local government finance by summer 2012.

It is clear that the review needs to deliver some serious reform if the government wants to meet its objectives of devolving power to LAs. At the moment, LAs are "highly geared" with council tax receipts only covering a small percentage of total expenditures with the balance met by central government grants. This means that small changes in total expenditures need to translate into much larger percentage changes in council taxes, and any changes can easily be offset by changes to central grants. This creates all kinds of problems for LAs when deciding on spending and revenues.

But the coalition decisions on council tax so far (a freeze plus no revaluations) signal just how difficult is devolution of tax raising powers. It will be interesting to see how that circle gets squared by 2012.