

Briefing on...

Paying for public services

Introduction

Public services are the most efficient way to deliver the things we need. They are not just a safety net. They are used by us all, making our lives healthier, safer, cleaner, secure and more fun. Public services provide excellent value for money. The average household benefits by about £10,000 every year. Public delivery provides value for money through economies of scale and by stopping shareholders taking profits out of the pot. Public services are paid for by our

taxes. Nothing is free. UNISON believes that we need to reform our tax system to ensure that it raises enough money to pay for the services we need and that the system is fair and unavoidable. The current attacks on public delivery are driven by ideology not economics. Low taxes may seem attractive but you can't have good services without paying for them. What we need is a grown-up discussion about the tax system we use to pay for services

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Real inefficiency

Waste in the public sector gets a great deal of coverage when in reality public delivery is very efficient. Paris's water supply is the latest in a long line of examples of services being brought back under public control because of the increased cost and inefficiency of private delivery. If you look at the cost of buying many of the services provided by the public sector from the private sector you soon see how cost effective public delivery is.

The average fee for private schooling in Scotland is just over £8000. There is no system of private universities in the UK to provide a cost comparison but the average cost of a degree in the US is the same as

the annual median household income (\$48000).

In many countries around the world people cannot rely on the police and courts to keep them safe and secure. The wealthy protect themselves through private security. The average cost of annual security services in the UK is £80,000. Remote monitoring would cost £10,000.

Private refuse collection would cost £45 per domestic pick up which, at around £2300 per year, is more than most council tax bills. (For more detail see link in further info section) Public delivery of these services came about because it was more effective.

Fair taxation

Schools and hospitals are not free. They are free at the point of use. Public services have to be paid for. We need to move the debate around taxes from focusing on how to keep them low, to how to make sure that they are fair. Income and council tax are frequently in the spotlight while regressive taxation like VAT is rarely mentioned. People on lower incomes will suffer much more than the wealthy from the proposed service cuts and from the

increased charges for those services that remains. Cutting taxes and services will make Scotland less equal.

UNISON believes that we must introduce a more progressive tax system and take strong measures to stop tax avoidance; £130billion goes uncollected' evaded or avoided every year. This cannot be done by the Scottish Parliament alone. The Parliament is not powerless though.

Scotland

The government does have power to vary the basic rate of tax and to allow councils to raise the council tax without losing their current subsidy. Using the tax system is far fairer than increasing charges for public services in the way that is currently happening. Increasing charges

hurts those on low incomes while the council tax freeze benefits those on high incomes more. Band H households are saving on average £441 per year while those in the cheapest homes (Band A) only save £147 a year. This is not fair

Local Income Tax

The SNP promised a new local income tax. They claim this will be fairer. UNISON believes that LIT moves the burden of paying for local government to workers, leaving many wealthy people no longer contributing. Only 60% of people in the UK pay income tax so 40% of people would be exempt from paying for local council services.

household. Even those on average earnings could pay more under local income tax schemes where two (or more) full-time workers in the house.

Income is also only an indicator of ability to pay: the costs of bringing up children, paying a mortgage or rent and caring for others mean that many on lower incomes have higher disposable incomes than those with higher gross incomes.

No taxes are popular but in order to fund our public services most people are willing to pay them if those taxes are fair, hard to avoid and simple to collect. Currently in Britain we have different types of tax: on earnings, property, on spending, on business and on "bad behaviour". Taxing all forms of wealth makes for a fair system. Moving away from taxing property to earnings places more of the tax burden onto ordinary workers not to the wealthy.

Every adult in a house would pay tax on their earnings rather than one charge per

Land Value Tax (LVT)

LVT is another alternative to the council tax. LVT is paid by those who own the land rather than live on it. Bills are based on the value of the land itself excluding buildings on it. Those who favour LVT say this will encourage landowners to develop derelict land. As is often the case with taxes it has a surface appeal because it appears to be a tax that other people pay.

reasonable understanding of the values of homes. This is not the case for land as the overwhelming majority of people have never bought or sold it.

The Burt Report into local government finance rejected LVT for a range of reasons. Firstly that it is very difficult to value land and in particular to separate its value from that of the buildings on it. Even if this could be done in a cost effective manner most people have a

It is hard to pin down who actually owns land and make them pay tax on it. Many of the big land owners either live abroad or could use the same range of tax shelters and companies they use to avoid paying other taxes to avoid LVT or reduce the other tax bills they pay. Landlords would pass on the charges to their tenants through higher rents. Homeowners who live in their properties would be easy to find and would have to pay. It would therefore be easier for the wealthy to avoid than council tax.

UNISON Principles for Local Taxation

UNISON believes that the fairest way to pay for services is a fair system of taxation. Taxing all forms of wealth including property is essential if the tax system is to be fair. The link to using local services and having a property in the area makes property tax the most obvious choice for funding local government. This does not mean that UNISON is happy with the current system of council tax.

UNISON believes that a property tax provides a stable yield for local councils at low administrative cost. Council tax needs to be reformed. The current freeze must end. The Burt Report provided a useful analysis of the options. Scottish Parliament should act as quickly as possible to ensure adequate funding for local government.

Further information:

What it costs briefing
http://www.unison-scotland.org.uk/publicworks/publicworksbriefing_01_October2009.pdf

Briefing on local income tax
<http://www.unison-scotland.org.uk/briefings/localincometaxbrief2.html>

APSE report on saving money by bringing services back in house
http://www.apse.org.uk/press-releases/mar09_councils-look-to-insourcing-in-tough-times.pdf

Burt Report into local Government finance
<http://www.scotland.gov.uk/Publications/2006/11/06105402/0>