Dear Secretary of State,

At a meeting of full Council on 8th July 2021 Councillors debated the level of Council Tax and the system for funding councils. There was unanimous cross party support (13 Conservative Councillors, 11 Labour Councillors and 12 Councillors who are independent / members of small political parties) to write to express our concerns regarding these issues and to seek your support for a fairer system which delivers on the levelling up agenda.

By way of background the Council serves a population with a higher than average level of deprivation and lower than average Council Tax base – reflecting the high proportion of properties in Council Tax bands A and B. As a result of these factors the Council faces high demand on services, has less ability to fund these demands from Council Tax and consequently has a high Band D Council Tax level.

Despite these challenges the Council remains ambitious and has approved a strategy to drive regeneration, which integrates with the recently approved Town Deal – which the Council is grateful the Government has supported. We are also hopeful that our bid for Levelling Up funding with be successful.

The Council provides good services across the board and this is evidenced by external assessments, for example Ofsted rated our Children’s Services as ‘good’. This underlines our commitment to do the best we can for our community, despite the significant financial challenges we face.

We would also take this opportunity to thank the Government for the financial support provided to manage the financial impact of Covid-19 on the Council, which has been welcomed and enabled us to support our community during this extremely difficult period.

Looking to the future there are a range of significant concerns the Council would wish you to address as follows:

**Council Tax is regressive** – the Council is concerned that basing Council Tax on 1991 property values has broken the system and has built unfairness into the amounts households pay. If regular revaluation had been undertaken this would have resulted in a fairer distribution of Government funding to individual councils and fairer levels of Council Tax for households.

This concerns has recently been highlighted in a report from the Commons Housing, Communities and Local Government Committee that has warned Council Tax is becoming “increasingly regressive” to the detriment of more deprived areas.

The regressive nature of Council Tax impacts on the amount households pay for services provided by local authorities, the police and fire – and the financial sustainability and resilience of these organisations.

It cannot be right that households in a band H property - valued in 1991 at eight times the value of a band A property – only pay three times the amount of Council Tax paid by household living in a band A property.

**Council Tax is too high** - as you will appreciate a major factor in determining the level of Council Tax is the Council Tax base. This means areas with a low Council Tax base have a high Band D Council Tax – although this in only paid by a small percentage of households in these areas. In Hartlepool only 7.7% of properties are in Council Tax Band D – compared to a national average of 15.3%.

The other factor driving Council Tax is the Council Tax Referendum regime, including continued reliance on the Adult Social Care precept in 2021/22. The Council does not believe this is sustainable. The Council does not believe the Adult Social Care precept is the appropriate way to fund these vital services, as this regime places an additional financial burden on local tax payers and also raises different amounts in different areas. We recognise the Government has provided grant funding to help address this issue. However, there is no certainty this funding will be sustained in future years - or increased to keep pace with inflationary pressures, including National Living Wage increases for our care workers.

**Grant Distribution formula** – the Council is concerned that reductions in Government funding prior to 2019/20 had a disproportionate impact on more deprived communities and have locked these funding cuts into current baseline funding. We hope that the delayed Fair Funding review will address this issue.

For many areas, including Hartlepool, we will never be able to meet local service needs from Council Tax and Business Rates. This means Government funding will continue to play a significant role in funding local services.

To mitigate these concerns we would request that the Government:

* **To address Council Tax being regressive** – a Government commitment to undertaken a full Council Tax revaluation as soon as possible to reset the system. Regular revaluation then need to be undertaken to ensure the system remain sustainable and fair.
* **To address Council Tax being too high** - the Government should provide additional recurring funding to enable Council Tax to be frozen for the next three years. Additionally, as part of the development of a long term funding strategy for Adult Social Care additional recurring funding should be provided to enable the existing recurring Adult Social Care precept to be abolished and removed from Council Tax bills.
* **To provide a fairer Grant distribution** – the Government needs to implement the Fair Funding Review as soon as practical and provide additional one off funding to ensure grant increases for those areas this review identifies are unfunded are implemented in year one and not phased over a number of years.

Additionally, once the Fair Funding review resets funding this needs to be indexed on an annual basis to reflect the impact of inflation on services, including factors such as the National Living Wage. If this funding is not indexed on an annual basis this will continue to disadvantage more deprived areas which will continue to be more reliant on Government funding than more affluent areas which fund most of their spending from Council Tax, Business Rates income and service charges.

We look forward to receiving your response. We appreciate that some of these changes will be impossible to implement for the 2022/23 financial year, therefore until longer term reforms can be made a real term increase in Government funding is needed for 2022/23.

Councillor Shane Moore Council Mike Young Councillor Brenda Harrison

Leader Hartlepool Council Leader Conservative Group Leader Labour Group