Statistical issues in the Poll Tax

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What I want to do here is to go over the way the poll tax is determined and touch on some of the reasons why the poll tax differs between authorities. My main point will be that the formula used to assess poll tax is really a matter of political choice although it is often portrayed as an objective result of statistical procedures.

Spending

The money a local authority receives to pay for local services comes essentially from three sources. These are:

- Central Government Grant
- Non-Domestic Rates
- Local Taxation

Local taxation, of course, used to be raised by property based rates, but this has been replaced by a person based poll tax (or "community charge").

How are the magnitudes of these three elements fixed? The Government starts with a target spending for each local authority, the Standard Spending Assessment (SSA). The sum of these SSAs over all local authorities is the Total Standard Spending (TSS): this amount is fixed in advance (in 1990/91 it was £30b). This spending is made up thus:

$$TSS = RSG + NNDR + Sum(Poll\ Tax)$$

where RSG is the Revenue Support Grant, the amount of central Government grant distributed to local authorities, and NNDR is the amount to be collected from the National Non-Domestic Rate. For 1990/91 these were fixed at £9 b and £10 b respectively. What is left was to be collected from the sum of poll tax contributions. In other words,

$$\text{Poll Tax} = \frac{TSS - RSG - NNDR}{\text{Population}}$$

Since the population was about 36m, this gives a target poll tax figure of £278.

The NNDR is distributed to local authorities on a strictly per capita basis (£293 per head). The Government then distributes the RSG to each local authority in such a way that if the authority spent at its SSA it would have to charge the standard poll tax to exactly balance its budget. This is the Government's argument for the 'fairness' of the poll tax: everyone pays the same amount for a standard level of spending.

Rate in the Pound

Under the rates the target was to equalise not the amount to be paid but the rate in the pound. According to the Green Paper which introduced the poll tax, this had a regional unfairness built in: because rateable values, for otherwise identical properties, tend to be higher in some areas (in particular the South East) then the same rate in the pound could mean very different rates bills. Because of regional variations in rateable values it was estimated that in 1984/85 the Yorkshire and Humberside region had gained £329m whereas Greater London had lost £814m. Part, at least, of the rationale for the introduction of poll tax was to counter this unfairness.

Equal Poll Tax

Poll tax will be the same for everyone if each local authority spends at its SSA (and everyone pays, of course!). If an authority budgets to spend more than its SSA then the extra can only be raised by increasing the poll tax, since the other two elements are fixed in advance. Local authority spending can differ from its SSA for two reasons: either an authority can choose to spend differently from the 'standard level of service' the SSA is supposed to represent, or the SSA could be a wrong estimate of how much it costs to provide that standard level of service. It is very important to get the SSA right, since an underestimate of 10% in what an authority would need to spend would require an increase in poll tax of about 30% just to balance the books.

Determination of SSA

How then is the SSA determined? It is done by calculating spending needs under 13 headings, covering the range of local authority activities, including education, social

services, police, highway maintenance, etc. Under each heading a number of indicators are defined. Each *indicator* is multiplied by an *amount*. For example, the primary education element includes the indicator PUPILS AGED 5-10 which is multiplied by the amount £1,139.00; the indicator number of pupils taking FREE SCHOOL MEALS is multiplied by £125.09; and so on. This all looks very objective and precise - down to the last penny - and is often used by politicians as if it were an objective, non-negotiable fact. But this is not really the case: both the indicators and the amounts are matters of some *choice* and can be argued over.

This can be seen in the following two ways. Firstly, prior to fixing the SSAs for 1990/91 the various local authority associations produced a range of alternative formulations, varying both the indicators to be included and the amounts by which they were to be weighted. These alternatives produced very different estimates for the SSAs. (For more detail see my paper in *Local Government Studies*, 1990, pp. 63-76). Secondly, the calculations for the SSAs for 1991/92 are slightly different, with some new indicators and some changes in the amounts. Eg. a new indicator of VISITOR NIGHTS has been included, to cover spending that might be incurred by having tourists stay within a local authority area. Quite by chance, of course, this happens to benefit Tory controlled areas like Kensington, Westminster and many seaside resorts.

The choice of indicators is a political decision not a technical one. The Department of the Environment tries out many suggested indicators, to see how they affect the SSAs, but it is the Minister who decides which are to be included. Similarly with the amounts. These are determined not by the measured cost of providing a service, but by the amount of money the Government has decided should be spent on a particular service in a given year. So for example the total amount targeted to be spent on primary education in 1990/91 was set in advance to be £5,091.3m, and the individual amounts had to be adjusted to give this total figure.

Political Choice

As statisticians we should challenge the apparent objectivity and neutrality of the SSA and insist that the SSA is largely a matter of political choice. A different choice of indicators and of spending targets might well end up with a high poll tax for Wandsworth and a low one for Lambeth.