Local Government and Communities Committee

Consideration of the Council Tax (Substitution of Proportion) (Scotland) Order 2016

Submission from West Lothian Council

Overall, do you support the principles of the Government’s plans to reform Council Tax?

Response: In our submission to the Commission on Local Tax Reform, in June 2015, the council set out that it believed that the current system of council tax required modernisation, in order that there was a more progressive property based local taxation system. The council set out a number of ways in which this could be approached, including a restructuring of the current banding arrangements, a revaluation of properties, and a retention of a local discount and reduction scheme for individuals most in need.

Therefore, in principle, the council agrees that a reform of Council Tax is required, but does not believe that the impending changes to the Council Tax multiplier provide a comprehensive or wholly progressive reform of Council Tax.

To what extent will the Government’s proposed reforms make the system of Council Tax fairer?

Response: In our submission to the Commission on Local Tax Reform, our council’s view was that a review of local taxation should support the principles of local taxation previously agreed by COSLA, which were around fairness, ease of understanding, efficiency, local accountability, and collectability.

The Commission on Local Tax Reform’s published findings outlined three alternatives which could raise a similar level of funding to Council Tax, and make local taxation fairer, more progressive, more stable, more efficient and more locally empowering. The predominant view of the commission was that local government’s tax base should, if it could be proved feasible, be broadened to include income. The commission outlined three alternatives to the current council tax system which could help to achieve a fairer local taxation system:

1. a replacement property tax, which would be based on the value of land and buildings;
2. a land value tax, based on the value of land only
3. and a local income tax which would raise revenue based on a householder’s taxable income

The proposed changes to Council Tax do not represent a thorough modernisation of the current council tax system, as recommended by the Commission, and do not seek to explore any of the options for a fairer system put forward as alternatives by the Commission, which could have made more of an impact in addressing the regressive nature of council tax.
In addition, the council believes that using the additional locally raised taxation income that will be raised by the council tax re-banding to fund national policy will seriously erode the link between local taxation and accountability to our local communities and will place a significant limitation on local democratic choice and control.

To what extent will the changes be straightforward for local authorities to implement?

Response: The changes to the ratios of the bands for the properties in bands E to H will be straightforward to implement in terms of administration and software development.

However, the Council Tax Reduction Scheme (which is similar to the previous Council Tax Benefit Scheme) is complex, both in terms of administration and also the software that drives the scheme.

In terms of administration, the full detail that will allow the council to assess how the scheme will be administered in practical terms is not yet available. Until this detail is available, it is not possible to undertake a full appraisal of how straightforward implementation will be. There will be a requirement to provide information to all households affected by the increase in band ratios along with the detail of the reduction scheme inviting applications from those that may qualify for the Council Tax Reduction. If the detail of the scheme is delayed beyond December 2016 the opportunity to invite, receive and assess applications from households prior to the issue of the 2017/18 bills in February/March 2017 will result in the council having to undertake a rebilling exercise for those households that subsequently qualify for the reduction. Any rebilling exercise will require additional administrative resource incurring additional costs and could potentially impact on collection rates in the first few months of the 2017/18 financial year whilst applications are invited, received and assessed.

Software providers will have a significant challenge to deliver the required software development linked to the Council Tax Reduction Scheme changes. The scheme is complex in terms of the software that drives delivery of it. Software providers have suggested a lead in time for development of up to six months. It is therefore vital that software providers are aware of the full details of the scheme as soon as possible to allow sufficient time for development and comprehensive testing of the software. Any delays or issues with the development of the software that mean it is not available in time for the issue of the 2017/18 bills in February/March 2017 will impact on the implementation of the changes for 1 April 2017 and will result in the need for the council to undertake a rebilling exercise for those households that subsequently qualify for the reduction.

Do you support the Government's planned changes to Council Tax reductions?

Response: The council supports the principle of a scheme to reduce/mitigate the impact of the increased Council Tax charges for households on lower incomes.
However due to the existing complexity of the Council Tax Reduction Scheme, the council has reservations on whether using the scheme to administer the reduction will be efficient and easily understood.

It is possible that a more straightforward way to administer reductions may be through the use of a statutory Council Tax reduction in banding (similar to the current disabled person's reduction). Households that fall within the set criteria for the reduction would have this administered through a reduction in banding equivalent to the increase as a result of the change to the banding ratios in bands E to H.

Please add any other comments on any aspect of the proposed reforms.

Response: The council believes that there should be a national publicity and awareness campaign to explain the impending changes to the re-banding system and to explain to the public that the additional income raised will be used nationally to fund policy decisions. This is required to avoid confusion with council tax payers, and to make clear that in some local authorities, not all of the additional income raised from their council tax will necessarily be re-invested in their own local authority area.

The council proposes that there should be more tax raising powers devolved to a local level. As previously outlined by the Commission on Strengthening Local Democracy, there is a current lack of fiscal powers at local level which places a significant limitation on local democratic choice and control. Council Tax currently accounts for approximately 18% of the funding local government has available to invest in services for its communities, whereas across Europe the most empowered local governments can raise more than 50% of their own income.