Local Government and Communities Committee

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

Submission from Orkney Islands Council

Please see below Orkney Islands Council response to the call for views to the Scottish Parliament’s Local Government and Communities Committee on the Scottish Government’s proposals for Council Tax reform.

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

The Council supports the reform of Council Tax Bands E to H. However, only 14.8% of properties in Orkney fall within these bands and of those 80% fall within Band E, thus reducing the potential income raised from the banding to around £0.174m. The potential for the Council to raise revenues from the higher banded properties is therefore significantly diminished from that, of say, Edinburgh and accordingly means that the additional Council Tax raised from the legislative change is proportionately less in Orkney than for many other Council areas. This is compounded by the fact that Orkney has the second lowest Council Tax in the country and multiplying a small number by an increased amount is always going to be less than multiplying a larger number.

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

Nationally, in 2015/16, only 3.3% of Council Tax Reduction expenditure was in relation to properties in Bands E to H – the figure for Orkney was 3.0%. This therefore supports the principle of not altering the ratios for Bands A to D, which would only impact on those already requiring the most assistance.

The vast majority of Council Tax Reduction expenditure, 66%, relates to those residing in Band A & B properties and likewise the highest percentage of properties in bands E to H relates to those in Band E. This might suggest that there is scope to review the current Banding range of A to H to narrow down the banding ranges and increase the number of bands. Ability to pay is in part reflected in the value of the property but the current number of 8 bands means that a large percentage of households pay the same.

3. To what extent will the changes be straightforward for local authorities to implement?
The change to Banding ratios should, subject to timeous software updates, be straightforward to implement.

The introduction of a revised Council Tax Reduction (CTR) scheme to protect those on incomes of less than £25k should, subject to timeous software updates, be straightforward to implement.

There is concern that the software companies and Councils cannot ensure that software changes can be made, tested and implemented before the 2017/18 billing process takes place.

There will also be associated costs of changing the software and training for the changes and uncertainty if these costs will be covered by the Scottish Government.

With only 3% of the households in bands E to H currently qualifying for CTR there is concern that the new CTR regulation 14A will result in a significant increase in workload from new CTR applications, from perhaps pensioner households, who would not otherwise qualify for CTR. This additional workload cannot yet be quantified but could be significant.

4. Do you support the Government’s planned changes to Council Tax reductions?

The existing CTR scheme should already ensure that those that cannot afford their Council Tax receive assistance accordingly.

Around 3% of existing CTR expenditure relates to bands E to H and the new regulation 14A appears to reach out to another group who don’t currently qualify for assistance.

However, the new regulations indicate that a full CTR assessment and application must be undertaken and changes etc notified accordingly. Such a new scheme may be enticing and offer hope to those who don’t currently qualify for assistance but many will be disappointed that the value of the assistance may be low and involve them in the full CTR claim process with ongoing responsibilities of reporting change in circumstances etc.

In this aspect the new regulations have added another layer of complexity to the system instead of streamlining and becoming more open and easy to understand.

As noted earlier there is also a concern that it will give false hope for those looking for a quick and easy means of obtaining the new reduction. Councils
may also expect a significant increase in new CTR applications and corresponding increase in workload without additional funding.

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

It could be argued that the current valuation process of properties based on 1991 values has become meaningless for householders to understand and that they are unable to determine if their property is valued correctly, or if the valuation is even relevant. The only comparison that is currently meaningful to householders is how their property banding compares to similar properties in the area. The reforms do not go far enough to address a revaluation, or banding groups.

The Call for Evidence states that the additional income from changing Bands E-H “will be invested in schools across Scotland,” according to eligibility for free school meals. The Council does not support, that after nine years of a Council Tax freeze the Council will not be free to determine how this additional funding will be allocated.

The Call for evidence notes the Committee may wish to explore how the revised Council Tax Reduction scheme reform will operate in practice, how much it will cost to implement the policy and the extent to which local authorities were consulted prior to its announcement. There are concerns that with Councils due to implement such changes, including software changes, awareness raising etc, that time is of the essence if Council Tax Bills are to be issued on time in March 2017 for the year 2017/18.

The Council has previously intimated its disappointment that there may be a 3% increase cap on Council Tax charges for 2017/18 and that no account will be taken of the previous nine years’ freeze. Orkney’s Band D Council Tax of £1037 is significantly lower than the highest Band D Council Tax of Aberdeen at £1230 and has been artificially locked at that differential for nine years meaning that the current Council has not even had a meaningful debate on the level of this local tax which is not good for local democracy. The last Council debate on the level of Council Tax was so long ago that the corporate memory of the arguments made for the level chosen has been lost and we are tied to a level of taxation set in the first year of the last Council. The Government made a commitment in its 2016 Manifesto to increase the financial accountability of local authorities – it could make a significant step towards that increase in accountability by allowing local authorities to determine the Council Tax in their local areas.

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