Local Government and Communities Committee

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

Submission from Argyll and Bute Council

Summary of key messages to the Committee

- Argyll and Bute Council believes that there needs to be a wholesale revaluation of property values as these are now very out of date
- The government’s stated intention to ring fence money from the increase in the multipliers to use in Education according to eligibility for free school meals is not supported by any mechanism in the draft legislation to achieve this. The proposal breaks the link between local taxation and local spending. We do not support this in principle.
- The proposals to amend council tax reduction are complex to implement, will affect relatively few households and take up may be low.

Q1 Overall do you support the principles of the Government’s plan to reform Council Tax?

Response

Our preference would be for a more radical reform of Council Tax. We consider that a wholesale revaluation is required to bring long out of date property valuations up to date. Along with revaluations, a fairer system of bandings and bandwidths could be developed. The council considers that extension of the number of bands would result in a redistribution of the tax burden with those in higher value properties paying more and those in the lowest valued properties paying less. A transitional relief scheme may need to be considered and some further modelling carried out.

We note the proposals to make the council tax reduction scheme more generous. As this is not funded directly by Scottish Government by grant claims (in the way that Council Tax Benefit was funded) we would wish to be reassured that local government is not expected to pick up these additional costs without being adequately funded for these additional costs.

The Scottish Government had previously announced its intention to end the council tax discounts that presently apply to second homes from April 2017 to support local housing markets. We note that the draft legislation does not appear to make such a change. Removing such a discount would mean that the council tax system would no longer track second homes. However, it would have given the council a much welcomed flexibility in council tax receipts, ending the ring fencing of the amounts raised from the reduction in discounts for second homes and long term empty properties.
Q2 To what extent will the Government’s proposed reforms make the system of Council Tax fairer?

Response

The proposals make some modest changes to the multipliers so that the higher banded properties pay proportionately more, and this is welcomed. For this council, assuming Band D levels remain unchanged, then this would result in an increase of £2.38m on the council tax take – an increase of 5.8% overall.

However, we believe that a much more radical reform with revised valuations and more bandings would have allowed a much fairer system.

Q3 To what extent will the changes be straightforward for local authorities to implement?

Response

The changes in the multiplier are straightforward to implement. The changes to council tax reduction for the child premium are also straightforward. However the other changes in council tax reduction aimed at mitigating the impact of the multiplier for low income families are extremely complex to implement and we do not support these. They will be both difficult to programme and difficult to explain to members of the public. More comments about this are given in our response to question 4.

Q4 Do you support the Government’s planned changes to Council Tax reductions?

Response

Few people living in houses in bands E and above receive full Council Tax Reduction (CTR) (only c 7% of our total CTRS recipients). It is also noted that Council tax benefit was previously capped at Band E. It is proposed to offer support to mitigate the impact of the multiplier for those in Bands E to H for households where the income does not exceed £25,000 for couples or families and c £16,750 for single people. There appears to be a tapering provision reducing support where income is slightly above these levels. This is a complex proposal which will be difficult to implement and to explain to council tax payers. We recommend that the Scottish Government considers again whether this is necessary.

The calculation of CTR will, without any of the proposed amendments, give more CTR as a result of the change in multiplier. A person getting full CTR will still have no council tax to pay. The main impact is on the amounts payable in respect of water and sewerage charges, and on those who receive just partial CTR. Given that relatively few CTR recipients live in high banded households, we consider that this proposal is not proportionate.
Q5. Please add any other comments on any aspect of the reforms.

Response

The council believes that there are issues with the current system which, if address, could improve its fairness, and improve the link to local accountability as follows:

1. The difference between current property values and 1991 prices on which council tax is currently based. Some taxpayers have difficulty seeing how their council tax liability relates to the current value of the property. The current banding structure is based on 8 bands (A to H) based on the value of the property in 1991. There is no straightforward method of linking the value of the property today to its value in 1991. The housing market has moved on significantly since 1991 and many new houses have been built. Furthermore, when a property is improved, for example by adding an extension, legislation prevents the revaluation of that property until a relevant transaction, normally a sale, has taken place. Once a sale has taken place the Assessor has a statutory power to revalue the property. Hence two houses of quite different values due to the added value of the extension can be paying the same in council tax which creates inequities. Council Tax regulations do not have a requirement for regular revaluation and therefore positive action is required to introduce this. No revaluation has taken place in Scotland or England. In Wales a revaluation was carried out in 2005, and in Northern Ireland in 2007.

2. The banding structure needs to be reviewed as the range of house prices has broadened since 1991. The current banding structure of 8 bands was introduced in 1993 and effectively puts a ceiling and floor on the amount of council tax households must pay. In the current era there is a large range of property values even in Band H (£212,001 and over) and therefore, as the correlation between property value and ability to pay is strong there is scope for broadening the bands at the higher end of the range. Properties in band H pay twice the amount of band D only. Additionally there is disproportionately more properties in bands A and B. These issues need to be resolved and could be addressed by introducing an additional band at the lower end and another at the higher end of the banding range and a regular revaluation cycle.

3. The council tax freeze has eroded the link between with democratic accountability. Local people should decide on levels of local taxation which should relate to the levels of services which they want. The council tax freeze over the last 8 years has broken this link and reduced democratic accountability. In Scotland only c 18% of a council's income is raised locally.

The proposals include an intention to ring fence £100m of revenue raised by the changes in the council tax multiplier to fund educational attainment. The amount of money raised locally will not match what if any is distributed locally. This breaks the relationship between local democracy, local taxation and accountability. For the first time in its history, Council Tax revenues would be used to fund expenditure by Central Government and this is not acceptable to local government.
There is also an intention to apply a cap on council tax increases of 3%. Such a cap retains central direction of council tax and goes against local democratic decision making and local control.