Local Government and Communities Committee

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

Submission from Comhairle nan Eilean Siar

Thank you for the opportunity for the Comhairle to submit views on the Government’s plans to reform Council Tax.

As a Member of the Commission on Local Tax Reform I am disappointed that these proposals have been implemented as a standalone change without taking the opportunity to set out a programme that provides a long term vision for the public as we recommended.

Whilst the proposals, to a limited extent, do reduce the regressive nature of Council Tax I am concerned that, in the absence of any such framework, they may be perceived as a means to raise income, rather than a means to address unfairness in the tax system.

In addition the proposals further diminish the local link between councils and the revenues they raise. The Comhairle will be collecting additional taxes that the Scottish Government has decided how to spend.

Throughout our many budget consultations over recent years I have often been asked why the Comhairle does not raise Council Tax to protect services and I would advocate for a return of the Council Tax to locally accountable Members.

In relation to the specific questions raised I would comment as follows:

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

Whilst the Comhairle would support a review of Council Tax these proposals do not go far enough to reform Council Tax.

The report by the Commission on Local Tax Reform highlighted that a proportionate system would see a band H house pay 15 times that of a band A property. Under the proposals the ratio of Band A:H rises from 1:3 to 1:3 2/3.

Whilst accepting that is difficult to understand the current bandings, based on fractions of ninths. The new proposals are provided with no explanation of the reasoning behind them.
More fundamentally the Comhairle believes that Council Tax should be locally determined and used to fund Comhairle priorities. The proposal to raise additional funding by changing the multiplier and then to allocate for Scottish Government priorities breaks this important link.

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

The proposals are progressive in nature and taking into account the associated Council Tax Reduction (CTR) measures are a step in the right direction in terms of reforming Council Tax.

However, the recommendations do not tackle some of the wider aspects of the Council Tax system and in particular the issue of valuation where, for example, an easy change would be for properties to be revalued after improvements are carried out that increase the property value.

The level at which the new bands have been set (ranging from 7.5% to 22.5%) is a material increase, coming as it does after a lengthy council tax freeze. This will affect around 10% of properties in the Western Isles and whilst it is a progressive change the Comhairle is concerned it will be perceived as unfair, especially as the money is to be allocated nationally.

We would recommend that the Government takes steps to clarify its policy intention and make clear to households how the increases will affect them and what relief they will be able to access through CTR.

(3) **To what extent will the changes be straightforward for local authorities to implement?**

The proposals will not be technically difficult to implement, though there will be costs associated with changes to IT systems.

There will also be additional staff costs dealing with the implementation and responding to the inevitable queries the changes raise.

After a prolonged tax freeze it is also likely that the Comhairle will encounter difficulty collecting taxes, which have in some cases, increased significantly.

(4) **Do you support the Government’s planned changes to Council Tax reductions?**

The Comhairle is pleased to see that the Government recognises the need to amend the CTR scheme in light of the proposals.
However, the Comhairle is concerned about the overall funding package and the impact on councils during a time of significant financial constraint.

We understood that the changes proposed will raise £109m additional Council Tax and that £9m will be held back to fund the additional CTR costs. However, this will not be sufficient to meet the full cost of the CTR changes which are estimated at £17m and the Comhairle would submit that councils should be fully funded for this element.

In addition the changes will bring more households into CTR eligibility and consequently an increase in caseload for CTR which will have a cost to the Comhairle.

The Child Premium changes proposed are welcomed by the Comhairle.

(5) Any other comments

The Comhairle welcomes the proposal allowing councils to increase Council Tax by up to 3% but is of the view that the capping of Council Tax by the Scottish Government is contrary to the principles of local democracy.

The Comhairle is concerned that the changes to the multiplier and inflationary increases will make it difficult for taxpayers to differentiate between local and national policy measures.

The Comhairle would prefer to see a more comprehensive review of Council Tax with the return of all decisions to local councils.

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Leader
Comhairle nan Eilean Siar