Local Government and Communities Committee

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

Submission from North Ayrshire Council

Introduction

The Call for Evidence is based on 5 questions. North Ayrshire’s responses are noted below.

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

There are a number of areas which were explored by The Commission on Local Tax Reform that are not being progressed via the proposed changes. Progression of these issues would help address a number of the underlying deficiencies of the current Council Tax system, these are noted below;

- It is important that the tax base is current and supported by regular revaluation. The current valuation basis is more than 25 years old, based on 1991 property values. North Ayrshire recognises the challenge of revaluation, however transitional arrangements could be put in place to mitigate the full impact of revaluation. Over time increasingly out of date valuations erode the underpinning logic and rationale of council tax.
- Council Tax could be made more progressive through the introduction of more bands across the full range. Prior to the change tax payers in Band H had a potential liability 3 times greater than a tax payer in Band A despite the property value being 8 times greater, the potential liability only moves to 3.7 with the proposed changes.
- The level of increase of council tax should be a matter for local authorities, the proposed ceiling of 3% increase erodes the local democratic process.
- Local taxation should not be ring-fenced for national policies (the issue of ring-fencing of tax receipts is also highlighted within the Council’s response to the “Call for Evidence: A Scottish Approach to Taxation”).
- North Ayrshire welcomes the development of further reliefs supporting the principle that taxation should be linked to ability to pay, however concerned that this adds a further layer of complexity to the reliefs already in place. Assurance is required that additional reliefs will be fully funded to avoid putting further pressures on local government finances.

To ensure local accountability it is essential that local taxes are set and raised locally without intervention by the Scottish Government.
2. To what extent will the Government’s proposed reforms make the system of Council Tax fairer?

The proposed changes to an extent make the tax more progressive through the change in proportions at band E to H and the introduction of further reliefs. As noted above the purposed reforms do not go far enough. Fairness is further eroded through a valuation basis that is more than 25 years old.

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

Our general feeling is that the changes should be fairly easy to implement. There will be a longer lead in time, essential to allow software companies to rewrite the parameters to allow the various banding changes to be made. This should not be complex, but will incur additional cost, and require a greater level of testing than would otherwise have been the case with the present parameters.

Given the significant funding pressures on Councils it would be reasonable to expect that any one off and recurring costs associated with these changes are met by extra Government funding.

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

North Ayrshire welcomes the establishment of additional reliefs, as noted above it is essential that these are fully funded to avoid further additional pressures on local government finances.

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

As part of the wider reform of local government there are a number of missed opportunities;

- Broadening the range of local discretionary tax powers available to local authorities.
- Increasing the value of taxation raised locally, enhancing local democratic accountability between income raised and services delivered.

The Council completely disagrees with the Government's proposal to use Council Tax funding for national priorities and request the Scottish Government to commit through statute that local tax will be raised solely for the delivery of local priorities and therefore reaffirming that importance and value of local government and the services it delivers.