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Local Government and Communities Committee

Report on Subordinate Legislation (Council Tax)

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Local Government and Communities Committee

Remit: To consider and report on communities, housing, local government, planning and regeneration matters falling within the responsibility of the Cabinet Secretary for Communities, Social Security and Equalities

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Introduction

1. The Committee reports to the Parliament as follows—

2. At its meetings on 21 and 28 September, and 5 October, the Committee considered the following instrument:

   - The Council Tax (Substitution of Proportion) (Scotland) Order (SSI 2016/xxx)

3. At its meeting on 5 October, the Committee also considered the following instrument:

   - The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 (SSI 2016/xxx)

Context

4. The Local Government Finance Act 1992 ("the 1992 Act") provides for a Council Tax to be payable in respect of a dwelling in Scotland by reference to which of the 8 valuation bands (Bands A to H) the dwelling falls within.

5. Since its introduction, the design of the Council Tax has remained almost completely unchanged. In February 2015, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) jointly established a Commission on Local Tax Reform. The agreed remit for the Commission was:

   > To identify and examine alternatives that would deliver a fairer system of local taxation to support the funding of services delivered by Local Government.

6. The Commission published its Final Report in December 2015. The then Scottish Government responded[i] to the Final Report in March 2016. The main area of reform proposed was to increase the ratios of the upper bands (E-H) relative to Band D. This would mean that bills for Band E would increase by 7.5%, Band F by 12.5%, Band G by 17.5% and Band H by 22.5%. No additional bands were added and the ratios for Bands A-D remained unchanged. The Government also confirmed that it did not plan to hold a revaluation, so Council Tax would remain based on values of property in 1991.[1]

7. Following the Scottish Parliamentary election in May 2016, the newly-elected Scottish Government brought forward a number of statutory instruments to give effect to its proposals for reform of the Council Tax. One of these instruments is the **draft Council Tax (Substitution of Proportion) (Scotland) Order 2016**, which was considered by this Committee and our views are set out in this short

[i] The Scottish Government's proposals were set out in news release and announced by the First Minister at a public event. A copy of the news release is available here: http://news.scotland.gov.uk/News/Council-tax-reform-2347.aspx

report to Parliament. The Committee also considered **The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016** (SSI 2016/xxx) and our views on this instrument are also set out here.

Purpose of the Instruments

The Council Tax (Substitution of Proportion) (Scotland) Order (SSI 2016/xxx)

8. The draft Council Tax (Substitution of Proportion) (Scotland) Order (SSI 2016/xxx) (hereafter referred to as the draft Council Tax Order) was laid on 7 September and is subject to the affirmative procedure.[2] If agreed to by the Scottish Parliament, it will come into force on 1 April 2017.

9. The accompanying Policy Note explains that the draft Council Tax Order is made in exercise of the powers conferred by section 74(3) of the Local Government Finance Act 1992. The draft Council Tax Order proposes to adjust the rates paid by those in the four highest Council Tax bands (E, F, G and H) by changing the multiplier for those bands as set out in Section 74(3). The original multipliers for those bands were set out in 1/9ths but the draft Council Tax Order proposes the changes in 1/360ths because the original bands have been amended by percentage increases of 7.5%, 12.5%, 17.5% and 22.5%, applying to bands E-H respectively.

10. The Scottish Government stated in its draft Policy Note that “the net additional Council Tax raised from these adjustments is estimated to be £100 million a year.”[3] Figures from the Scottish Government’s modelling work provided to SPICe estimate £107 million per year.[ii] The Committee has used the latter figure in its report.

11. The Scottish Government’s Policy Note also states that households on low incomes living in bands E-H will be entitled to an exemption from the changes through the Council Tax Reduction (CTR) Scheme. This exemption is created by the Council Tax Reduction (Amendment) (No. 2) Regulations 2016 (hereafter referred to as the Reduction Scheme Order) laid in the Parliament on 7 September, and subject to negative procedure. The Reduction Scheme Order will be considered by the Social Security Committee. The Policy Note for the Reduction Scheme Order estimates that Council Tax foregone by local authorities as a result of these regulations will be £8 million for the increase in child premium and £6 million for low income households in properties in Bands E-H.

[ii] This modelling work takes into account the 25% discount for single person households, and Council Tax reduction, but does not take into account other minor discounts and reductions as these have relatively limited impact in revenue terms and are “a bottom-line adjustment” rather than being modelled by Band and local authority. These smaller discounts revise the £107m down to a rounded £100m.

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 (SSI 2016/xxx)

12. The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 (SSI 2016/xxx) (hereafter referred to as the draft Unoccupied Dwellings Order) was laid on 12 September 2016 and is subject to affirmative procedure.[4] If agreed to, it will come into force on 1 April 2017.

13. The accompanying Policy Note explains that the draft Unoccupied Dwellings Order is made in exercise of powers conferred by section 33(1) to (4) of the Local Government in Scotland Act 2003.[5]

14. The draft Unoccupied Dwellings Order seeks to amend the Council Tax (Variation of Unoccupied Dwellings)(Scotland) Amendment Regulations 2013 in relation to the variation in council tax liability which may be granted in respect of a dwelling which constitutes a "second home" (as defined in the above Regulations).

15. At present, a local authority may grant a discount of between 10% and 50% of normal liability in respect of such dwellings. The draft Unoccupied Dwellings Order seeks to add to this option by enabling local authorities to decide to grant no discount in respect of second homes. The Policy Note explains that this is intended to provide local authorities with an additional tool to help support housing markets within their entire area, or only those where second homes are a particular problem. Some classes of unoccupied dwellings such as job-related dwellings, which are currently subject to the 50% discount, would not be affected by this draft Order.[6]

16. The Policy Note explains that £3million a year of additional council tax revenue is estimated to be raised for local authorities from these adjustments.

17. In evidence, the Cabinet Secretary for Finance and the Constitution confirmed that a second home is defined as a dwelling that is furnished and lived in for at least 25 days in any 12-month period but not as someone's sole or main residence.[7]

Ending the Council Tax freeze

18. Separate to the draft Council Tax Order, the Scottish Government also proposes to end the Council Tax freeze in 2017/18 although it is proposing to cap future rises from 2017/18 to 3% per year. The Council Tax freeze has been in place since 2008-09, during which time additional funding of £70 million in total was provided each year as part of the local government settlement to offset the income that may have been raised had no freeze been in place.[8] The total, cumulative amount given by the Scottish Government to local authorities to freeze the council tax over the nine year period is £3,150m.

Consideration by the Delegated Powers and Law Reform Committee

19. The Delegated Powers and Law Reform Committee considered the draft Council Tax Order at its meeting on 13 September 2016 and agreed not to draw the Parliament's attention to the instrument on any grounds within its remit.

20. The Delegated Powers and Law Reform Committee also considered the draft Unoccupied Dwellings Order at its meeting on 20 September 2016 and agreed not to draw the Parliament's attention to the instrument on any grounds within its remit.

Consideration by the Local Government and Communities Committee

21. At its meetings on 21 and 28 September, and 5 October, the Committee took evidence on the draft Council Tax Order, also considering the draft Unoccupied Dwellings Order at its meeting on 5 October. The details of those who gave evidence at these meetings can be found in **Annexe A** of this report.

22. The Committee agreed to also seek written evidence inviting comment in particular in 5 key areas. The written evidence received can be found on the Committee's website.

23. The timescales by which the Committee must scrutinise and report on these affirmative SSIs is set out the Parliament's rules as 40 days from introduction. As such, the Committee acknowledges the impact of this short timescale on those who provided oral and written evidence. We thank all those who have contributed evidence which has been invaluable in assisting our scrutiny of the draft Orders.

Decision - the Council Tax (Substitution of Proportion) (Scotland) Order 2016 [draft]

24. Following the evidence sessions, the Cabinet Secretary for Finance and the Constitution moved the following motion—

> S5M-01522—That the Local Government and Communities Committee recommends that the Council Tax (Substitution of Proportion) (Scotland) Order 2016 [draft] be approved.

25. Andy Wightman then moved amendment S5M-01522.1 to motion S5M-01522—

> S5M-01522.1—As an amendment to motion S5M-01522 in the name of Derek Mackay (Council Tax (Substitution of Proportion) (Scotland) Order 2016 [draft]), insert at end "but, in so doing, notes concerns in evidence to the committee that the council tax base has not been updated since 1991 and that many properties are wrongly banded and will therefore be liable to inaccurate council tax bills; further notes concerns about the appropriation of

local council tax receipts for Scottish spending priorities, non-statutory rate-capping and the adequacy of communication regarding forthcoming changes to council tax, and recognises the primary recommendation of the Commission on Local Tax Reform that "The present Council Tax system must end"."

26. Following the debate, amendment S5M-1793.1 was **disagreed** to by division: For 2 (Andy Wightman MSP and Elaine Smith MSP), Against 5 (Bob Doris MSP, Kenneth Gibson MSP, Ruth Maguire MSP, Graham Simpson MSP, and Alexander Stewart MSP), Abstentions 0.

27. The motion was then **agreed** to by division: For 4 (Bob Doris MSP, Kenneth Gibson MSP, Ruth Maguire MSP and Elaine Smith MSP), Against 2 (Graham Simpson MSP and Alexander Stewart MSP), Abstentions 1 (Andy Wightman MSP).

28. **The Local Government and Communities Committee recommends to Parliament that it approves the Council Tax (Substitution of Proportion) (Scotland) Order 2016 [draft]**.

Decision - the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 [draft]

29. Following the evidence session, the Cabinet Secretary for Finance and the Constitution moved the following motion—

> S5M-01594—That the Local Government and Communities Committee recommends that the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 [draft] be approved.

30. Following debate, the motion was **agreed** to.

31. **Therefore, the Local Government and Communities Committee recommends to Parliament that it approves the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 [draft].**

Evidence considered by the Committee

Purpose of changing the council tax multiplier

32. The draft Council Tax Order is the first time since the Council Tax was introduced in 1993 that band ratios have sought to be changed.

33. Speaking in the Chamber, the First Minister said—

> Orders will be laid this week [w/c 5 September] to make the changes to the council tax. It is extra revenue that will be raised from those who are at the highest level of property and redistributed to the schools that are most in need.[9]

34. Also speaking in the Chamber, the Minister for Local Government and Housing explained that its reforms to the Council Tax reflect a pledge by the First Minister and a manifesto commitment that the additional £107 million raised by the changes to Bands E-H through the draft Council Tax Order will—

> …contribute towards raising standards in Scottish and closing the attainment gap, which will deliver opportunities for our young people, no matter what their family background is.[10]

35. In the same debate, the Cabinet Secretary for Finance and the Constitution explained that, while the anticipated £107 million raised from the Council Tax will stay with local authorities, there will be a corresponding "adjustment" in local authorities' revenue support grant, similar to how the mechanism of business rates works.[11]

36. The Minister for Local Government and Housing commented that the approach is not about—

> …raising funds in one council area to distribute to another, even though the redistribution of public money on the basis of need is a long established and fundamental principle of the funding we provide to local Government.[12]

37. In explaining how the £107 million will be allocated from 2017-18, the Cabinet Secretary told the Committee that the Scottish Government is engaging with the education sector and local government to see whether there are other suggestions as to the method of allocation albeit the Government's proposed distribution method is on the basis of eligibility for free school meals.[13]

38. The Minister confirmed that—

> Any council that chooses to increase council tax will keep all the additional revenues from that tax rise, so local financial accountability is preserved. Councils will still retain all council tax raised in their area. No council will be

> financially worse off, but an additional £100 million each year will be available to spend on schools and children and getting to grips with the attainment gap.[14]

39. Mindful of this, the Committee agreed that it would explore in evidence not only the impact of the specific changes proposed but also the wider implications of how the £107 million raised by the draft Council Tax Order would be distributed.

40. **This Report therefore represents the Committee's formal report on the draft Council Tax Order and the draft Unoccupied Dwellings Order, but also contains our comments on the wider implications of these draft Orders should they come into force**.

41. We recognise that the Scottish Government is consulting local authorities in relation to the exact mechanism and levels of grant revenue to be adjusted. It is anticipated that the final agreement will be reached in time to inform the Local Government Finance Settlement 2017-18, which is set out in a Scottish Government Finance Circular issued to each Local Authority. This circular is usually issued immediately after the draft Budget is published; anticipated to be mid-December 2016.

42. Given this ongoing consultation, the Committee will consider the distribution agreed to, once they have been made clear. At that time, and subject to the draft Council Tax Order being agreed to by Parliament, we will seek confirmation of:

- the predicted additional Council tax anticipated to be raised by each local authority and the corresponding impact on the level of revenue grant support;
- the allocation by local authority of funding for reducing the attainment gap (and the confirmation of the basis on which that funding was calculated); and
- the cost by local authority of the council tax reduction scheme (as arising from the draft Reduction Scheme Order).

43. We also seek a response from the Cabinet Secretary on the extent to which the Scottish Government will undertake any reconciliation of actual Council Tax income from bands E-H as compared with that predicted at the time of the Local Government Finance Circular to determine whether any impact is cost neutral.

44. The Committee notes that the Scottish Government is currently undertaking a consultation on its plans to address the attainment gap. We understand that those plans will utilise the £107 million raised by reducing the grant revenue to councils (as a consequence of raising £107 million extra in council tax from the draft Council Tax Order). The consultation entitled "Empowering teachers and communities to achieve excellence and equity" runs from 13 September 2016 until

6 January 2017[15] and is the precursor to an Education Bill due to be introduced in the second year of this session of Parliament.[16]

45. Local authorities as education authorities currently:

- have a duty to provide adequate and efficient school education including early years in their area;
- set education budgets for their areas, including school level budgets;
- have direct responsibility for the provision and quality of early learning and childcare and schools, the employment of educational staff, the provision and financing of most educational services;
- have responsibility for the implementation of Scottish Government policies in education; and
- have responsibility for a range of other services which support children and young people, families and communities.

46. We have therefore agreed that we will scrutinise the proposals in the Education Bill, once laid, as they relate to local authorities. Consequently we have highlighted in this report some of those areas which we will look to see addressed as part of our scrutiny of the Education Bill.

Matters raised in evidence

47. As noted above, the Committee sought written evidence on the draft Council Tax Order, seeking responses to 5 key questions. A summary of the matters raised in response to those 5 key questions is set out below.

Question 1: Overall do you support the principles of the Government's plan to reform the council tax?

48. A majority of submissions we received are consistent in their agreement that Council Tax reform is overdue and welcomed the proposal to end the Council Tax freeze.

49. A number of those who provided evidence however went on to add that they did not consider the reforms went far enough, highlighting the work undertaken by the Commission on Local Tax Reform which was established by the Scottish Government and COSLA. The Commission concluded in March 2016 that "the present Council Tax system must end."[17] Whilst the Commission's report did not recommend a specific course of action, it highlighted three possible alternative taxes that could "raise the same" revenue as Council Tax, and proposed greater flexibility for local government in the range and level of taxes it could implement.

50. A number of submissions we received drew on the Commission's findings and highlighted that the Commission's proposals were more progressive, arguing that, by not adopting a more holistic approach to local tax reform, an opportunity to fundamentally reform Council Tax had been missed. As such those who held these views considered that the Council Tax system will remain regressive.[18]

51. The Cabinet Secretary explained that the Scottish Government had reflected upon the Commission's work and, having listened to other stakeholder views, commented that—

> We believe that the package of measures that we are offering, particularly the multipliers….is the right one to generate more income and to make the council tax fairer through the multiplier effect, and we will do further work with local government on implementation.[19]

52. The Committee heard that, for some, the proposed changes in the draft Council Tax Order breaks the principle of reserving local taxes revenues for local services, and that the 3% cap in increases to Council Tax erodes local democratic accountability. COSLA stated that—

> We cannot stress our concerns strongly enough to the Committee that these proposals do not enhance local democracy and accountability for local taxation, and instead fundamentally undermine these aspirations.[20]

53. UNISON expressed similar concerns highlighting that, "local taxation should apply to local priorities and councillors should be responsible to their electorate for local decisions".[21]

54. COSLA highlighted concerns regarding the distribution of the funds raised in local authority areas, with a higher number of band E-H properties in those local authorities likely to raise far less revenue in light of the proposed changes. The Scottish Local Government Partnership (SLGP) stated that this undermined the principle of local taxation and broke the links between local taxation and accountability. Others such as Shetland Islands Council explained that the cap on increases to Council Tax of 3% does not provide tax flexibility based on local needs and local democratic decision making.

55. The Cabinet Secretary confirmed that local authorities will retain all revenue raised through council tax, including through the multipliers. He explained that there is a well-established system of redistribution and distribution of resources on a needs basis, through local government finance orders and discussion with local authorities. In that regard, the Government's proposals to redistribute £107million by reducing its local authority grant revenue and reallocating that revenue to education was similar to how the non-domestic rates scheme is managed.[22]

56. In proposing the 3% cap, the Cabinet Secretary explained that it was providing flexibility for local authorities acknowledging that the council tax freeze cannot continue. In relation to the cap, he explained that it was a political judgement

based partly on what would be acceptable to the public and partly on what would be in line with inflation. He added that the 3% cap was endorsed by the people as it formed part of the Scottish National Party's election proposals. [23] He said—

> The multipliers will generate more money for local government, and it is with that knowledge that other decisions can then be made about the wise use of resources. However, it remains the case that every single penny that is raised by council tax, including through the multipliers, will stay with the local authority.
>
> The method of local government funding and distribution is a matter that is agreed with local authorities. I was previously on a distribution and settlement group within local government, and that was an interesting and challenging experience. However, it remains the case that every penny that is raised in council tax will stay with those local authorities, and any further mechanism will be through the budget and the revenue support grant, as has previously been explained in the chamber.[24]

57. In terms of enforcing the 3% cap, the Cabinet Secretary explained that it would start off with the partnership approach with local government in delivering the cap but that—

> …there are existing legislative provisions for the Government to cap council tax if that is required.[25]

58. The Cabinet Secretary added that—

> To do that, I would have to return to Parliament on a local authority by local authority basis, which I would do if required.[26]

59. The Committee welcomes the lifting of the council tax freeze, providing Councils with flexibility to set Council Tax rates, albeit we acknowledge that the 3% cap will limit the level of any increase. We seek clarification from the Scottish Government as to whether it will monitor the impacts of inflation on councils so as to assess whether 3% remains the appropriate level at which to cap any increases. We also seek further details from the Scottish Government on exactly what the legislative powers referred to are, and what procedure will be followed to enforce the 3% cap.

60. In relation to the £107 million for the attainment fund (made available by the corresponding reduction in the general revenue grant to local authorities), the Committee intends to consider the forthcoming Education Bill to scrutinise the evolving relationship between schools, local authorities and the communities they serve in the context of enhancing local democracy and community empowerment.

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

61. Most witnesses the Committee heard from considered that the draft Council Tax Order would provide "some progressivity of the bands"[27] or would make the council tax system "slightly less unfair"[28] or marginally more progressive.

62. In the context of fairness, a number of submissions pointed out the need for a revaluation of properties, as well as a need for an increased number of bands.

63. Some such as Professor Kerley highlighted that "the system of property banding currently used introduces an element of unfairness, in that people who are over the floor of a particularly band pay significantly more than those who are just under the ceiling of the band immediately below them"[29].

64. Others such as UNISON and COSLA also highlighted concerns with the current bandings, with UNISON highlighting that—

> …the current system has too few bands and the top band contains a huge range on properties from £212,001 and above. Whilst increasing the multipliers for the top bands, as proposed, is some progress it is not substantial and still leaves those in a £212,001 home paying the same bill as those in a million pound one.[30]

65. It should be noted, however, that the figures referred to above in terms of property valuations relate to 1991 valuations, as the current Council Tax is based on values of properties in this particular year.

66. The Scottish Government has confirmed that it does not plan to hold a revaluation of property as part of its reform as some households would have seen "significant and dramatic" changes to Bills. This means that, under the draft Council Tax Order, Council Tax will remain based on values of property in 1991. Heriot-Watt University's analysis of around 700,000 properties in seven local authorities suggested that 57% of properties in Scotland would have changed Council Tax band if revaluation had taken place in 2014, with roughly an equal amount moving up as moving down in value. [31]

67. A number of witnesses such as Professor Gibb argued that revaluation should still be undertaken and that it was a necessary condition for an adequate system of property taxation and for making the system fairer. A number of submissions highlighted that this fairness is undermined when properties which have had significant investment in improvements are revalued but only when sold. This can result in a higher banding for the new owners whilst the previous owners realise the higher house value.[32]

68. The Committee heard a range of views on the costs and time for undertaking revaluation with some suggesting a complete national revaluation would take two to three years (Scottish Assessors Association)[33] and cost approximately £5

million to £8.5 million (CIPFA)[34]. Others (e.g. IRRV) suggested that a phased, longer-term approach, starting with properties which had been renovated or altered first[35], should be followed whilst others (e.g. the Scottish Property Federation) highlighted the range of existing valuation data that existed and which could be cost effective and quick to use.[36]

69. In evidence the Cabinet Secretary explained that—

> The independent Resolution Foundation report in April this year stated that the proposals would increase the proportionality of council tax.[37]

70. This does not, however, make the Council Tax a “proportional” tax as noted by the Commission in Local Taxation. A proportional tax would apply a flat rate for all values of the tax base.[38]

71. The Cabinet Secretary reiterated the Scottish Government’s views that revaluation would “take time, be costly and put extra uncertainty in the system, which could, for many households, result in a shock that they would not be prepared for.”[39] He also highlighted that would also be compliance issues with an impact on collection rates which would be of concern to local authorities and the Government.[40]

72. He added that—

> …what we are proposing is not the end of the story in terms of local taxation or, for that matter, council tax….I want further discussions around what we could do next. [41]

73. The Committee notes the evidence from a number of organisations on the need for a revaluation. We welcome the Scottish Government’s commitment to continuing the conversation on local tax reform. We consider that any future change on the issue of revaluation would require political agreement. We would welcome an early update from the Scottish Government on these matters.

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

74. The evidence we received was that the draft Council Tax Order should be fairly straightforward to implement albeit some clarity was sought about the impact of the changes in multipliers on water and wastewater charges.

75. The Committee heard that COSLA was undertaking a sampling exercise across a number of council to determine the costs of implementing the Council Tax changes proposed. This would then inform the discussions with the Scottish Government about reimbursement of those costs.[42]

76. The Committee also heard of other costs which might arise. The Scottish Assessors Association highlighted that it is probable that the draft Council Tax order might result in an increased level of proposals of appeals from Council Tax payers in bands E and above, all of which (whether technically invalid or not) will require the band to be checked and the appeal to be heard by a Valuation Appeal Committee. UNISON highlighted the potential for an increase in verbal and physical abuse towards local authority staff. In that regard the importance of a major communication plan to inform people of what to expect in their council bill in advance of their Billing arriving was stressed. [43]

77. The Scottish Local Government Partnership explained that the software suppliers that support council tax billing have advised that the software changes to council tax multipliers should be deliverable in time but that greater clarity was required in relation to the water and wastewater billing (which is issued as part of a single bill with council tax). A number of witnesses, including CIPFA Directors of Finance, highlighted the huge efficiencies currently achieved in collecting both water and council tax in a single bill and the potential for significant costs to arise should separate bills for water and wastewater; and council tax be required because different multipliers applied. [44]

78. The Scottish Government clarified that the Water Industry Commission for Scotland (WICS) determines the basis for the level at which charges are set. Those levels are set to ensure that Scottish Water is funded to undertake its functions and deliver the objectives set for it by Ministers at the lowest reasonable overall cost. The structure of those charges is set out by Scottish Ministers in the Ministerial Statement of Policies on Charging. That statement currently requires that the structure of changes should be calculated by reference to council tax bands. For the period 2015-2021, household charges are capped to no more than consumer price index minus 1.8%.

79. In evidence, the Cabinet Secretary confirmed that water charges have already been determined for this year and that the Government does not propose to mirror the changes to council tax in the water charges because of administrative issues.[45] In its briefing note, the Scottish Government confirmed that Ministers will seek to clarify the statement in the Principles of Charging in light of their policy decision to either confirm the existing bandings or explicitly to refer to the revised bandings. [46]

80. We note the briefing paper from the Scottish Government on the relationship between Council Tax Charges and water charges.

81. We believe that there is still a degree of ambiguity as to whether water charges will be revised in light of the proposed changes to the council tax bands and that this could potentially cause confusion and have a negative impact on customers. We therefore seek further clarification from the Scottish Government on its ongoing discussions with the Water Industry Commission for Scotland on the detail and timing of any changes to existing water charges as a result of this Order.

82. We also seek clarification from the Water Information Commission for Scotland of how it will adjust its levels of charging, in light of any changes to the council tax multiplier, to ensure that it continues to meet its objective of setting levels that meet the lowest reasonable overall cost.

83. We welcome clarification from the Scottish Government of whether it proposes to review the appeals process for Valuation Appeal Committees to identify whether 'invalid' appeals can be disposed of more effectively.

84. We also seek confirmation from the Scottish Government of how it supports local authorities to monitor and address, as raised by UNISON, the potential for an increased number of incidents of verbal or physical abuse to staff and whether, in light of the implementation of the draft Council Tax Order it will provide additional support should any increases in abuse be reported.

85. Local authorities and others such as CIPFA Directors of Finance highlighted concerns the potential for householders to be confused about why their council tax bill had risen and what the additional income would be used for. This was because of the potential for each local authority to increase its council tax bills by up to 3% combined with the increases brought about from the Scottish Government proposed increase in the multipliers for bands E-H. Witnesses such as COSLA considered that the Scottish Government needed to take responsibility for communicating to people about their impact of their changes from the draft Council Tax Order, whilst Councils should be obliged to explain any increase (up to 3%) that they decide.

86. CIPFA Directors of Finance also explained that if people understand why they are paying more and accept that, then there are greater compliance and collection rates, adding that the poll tax is an extreme example of what could happen if people do not accept a tax or do not consider it fair. [47]

87. The Cabinet Secretary agreed that the communication exercise that follows will be extremely important to ensure that there is public awareness of the changes to council tax. In that regard, he explained that the Scottish Government would look to work in dialogue with local government and--

> …ideally it would be a joint piece of communication between the Scottish Government and the Convention of Scottish Local Authorities about how we share the information to local householders. [48]

88. We welcome this commitment for Scottish Government and Local Authorities to work together to ensure that the changes proposed to council tax are clearly and consistently highlighted to council tax payers.

Question 4: Do you support the planned changes to the Council Tax reductions?

89. Many submissions supported the planned changes to Council Tax reductions, suggesting that anything that extends support to low-income households is a good thing.

90. Some witnesses such as Professors Kerley and Gibb highlighted concerns regarding variable take up of the scheme, with Professor Kerley explaining that the scheme will—

> …extend the level of income at which the reduction will operate by some way beyond many other means tested-scheme. We know that the take-up of means- tested scheme is often poor. [49]

91. The Child Poverty Action Group in Scotland highlighted the decline in numbers of CTR (Council Tax Reduction scheme) claimants. They highlight that since April 2013 the number of CTR claimants in Scotland has decreased by almost 10 per cent. They consider this particularly concerning as council tax benefit historically was one of the most poorly taken up of benefits, with an estimate that at least 2.3 million low income households were not taking up their entitlement in the UK in 2009/10 (this is the most recent set of figures available).

92. A number of written submissions and witnesses highlighted concerns regarding affordability such as the impact on workers in low paid workers or on those 'asset rich but income poor' groups such as pensioners on fixed incomes above £25,000. COSLA also highlighted that there may be additional administrative costs for the Council Tax Reduction scheme such as from the higher case load.[50]

93. In relation to targeting those who may now be eligible for the reduction scheme, the Cabinet Secretary highlighted the role that council tax billing might provide in enabling information to every household on the council tax reduction scheme thereby increasing update of this and the current schemes. This activity could be in addition to a more general campaign. [51]

94. Given that the Parliament's Social Security Committee is the lead Committee for considering the Council Tax Reduction scheme order, we have made available to them the written and oral evidence we received.

95. We seek confirmation from the Scottish Government, COSLA and SLGP of how each proposes to ensure that all those eligible for the Council Tax Reduction scheme are identified and notified as well as the detail of any national awareness raising campaign being proposed, either jointly or separately. Furthermore, we seek further details from the Scottish Government on how it will work in partnership to increase take-up of the reduction scheme

96. We have sought further information from COSLA on the costs arising from this order and the draft Council Tax Order and will explore this further when the Local Government Finance Settlement 2017-18 is published.

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

97. In written and oral evidence, a number of other issues were raised in relation to the implementation of the draft Council Tax Order and the Reduction Scheme Order.

98. Citizens Advice Scotland expressed concerns around the way arrears are dealt with by local authorities, suggesting that—

> …the current system allows little distinction between ‘can’t pay’ and ‘won’t pay’ taxpayers, with collection following the same process for both.[52]

99. Whilst the Child Poverty Action Group in Scotland highlighted the need for reform of the treatment of miscalculations of Council Tax Reductions by local authorities. They explained that—

> …previously, council tax benefit ‘excess payments’ could not be recovered from the claimant if they resulted from an official error to which the claimant did not contribute, and the claimant could not have reasonably realized that they were being overpaid. This is still the situation in relation to housing benefit, but case evidence shows that the recalculation of council tax bills to recover ‘overpayments’ of CTR is causing hardship and confusion for claimants.[53]

100. We note these concerns and seek further information from the Scottish Government, COSLA and SLGP on what action, if any, they propose to take to address these points.

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[1] Financial Scrutiny Unit, *Scottish Government proposals for Council Tax reform*, March 2016. Available at: http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_16-28_Scottish_Government_proposals_for_Council_Tax_reform.pdf
[2] Available at: http://www.legislation.gov.uk/sdsi/2016/9780111032589/contents
[3] Policy Note, paragraph 6. Available at: http://www.legislation.gov.uk/sdsi/2016/9780111032589/policy-note/contents
[4] Available at: http://legislation.data.gov.uk/sdsi/2016/9780111032763/data.htm?wrap=true
[5] Policy Note: Available at: http://www.legislation.gov.uk/sdsi/2016/9780111032763/pdfs/sdsipn_9780111032763_en.pdf
[6] Policy Note, paragraph 2.
[7] Local Government and Communities Committee, *Official Report*, 5 October 2016, c24.
[8] http://www.scottish.parliament.uk/ResearchBriefingsAndFactsheets/S4/SB_16-26_Local_Government_Finance_facts_and_figures_1999-2017.pdf
[9] Scottish Parliament, *Official Report*, 7 September, c63.
[10] Scottish Parliament, *Official Report*, 22 September 2016, c78.
[11] Scottish Parliament, *Official Report*, 22 September 2016, c37-38.
[12] Scottish Parliament, *Official Report*, 22 September 2016, c78.
[13] Local Government and Communities Committee, *Official Report*, 5 October 2016, c30.
[14] Scottish Parliament, *Official Report*, 22 September 2016, c78.
[15] Scottish Government, Empowering teachers, parents and communities to achieve Excellence and Equity in Education - A Governance Review. Available at: http://www.gov.scot/Publications/2016/09/1251
[16] Scottish Parliament, *Official Report*, 6 September 2016, c16.
[17] *The Commission on Local Tax Reform*, Volume 1 – Just Change: A New Approach to Local Taxation, December 2015, paragraph 13.1.
[18] Written submissions such as the Scottish Assessors Association and the Scottish Property Federation.
[19] Local Government and Communities Committee, *Official Report*, 5 October 2016, c34.
[20] COSLA, written submission of evidence to the Committee.
[21] Local Government and Communities Committee, *Official Report*, 28 September 2016, c20.
[22] Local Government and Communities Committee, *Official Report*, 5 October 2016, c27-28.
[23] Local Government and Communities Committee, *Official Report*, 5 October 2016, c31.
[24] Local Government and Communities Committee, *Official Report*, 5 October 2016, c27.
[25] Local Government and Communities Committee, *Official Report*, 5 October 2016, c32.
[26] Local Government and Communities Committee, *Official Report*, 5 October 2016, c32.
[27] Local Government and Communities Committee, *Official Report*, 28 September 2016, c2.
[28] Local Government and Communities Committee, *Official Report*, 21 September 2016, c5.
[29] Local Government and Communities Committee, *Official Report*, 21 September 2016, c3.
[30] UNISON, written submission of evidence to the Committee.
[31] SPICe briefing, No 16/28.
[32] Written submissions such as that from the Scottish Assessors Association.
[33] Local Government and Communities Committee, *Official Report*, 21 September 2016, c31.
[34] Local Government and Communities Committee, *Official Report*, 21 September 2016, c32.
[35] Local Government and Communities Committee, *Official Report*, 21 September 2016, c33.
[36] Local Government and Communities Committee, *Official Report*, 21 September 2016, c33.
[37] Local Government and Communities Committee, *Official Report*, 5 October 2016, c25.
[38] *The Commission on Local Tax Reform*, Volume 1 – Just Change: A New Approach to Local Taxation, December 2015, page 88.
[39] Local Government and Communities Committee, *Official Report*, 5 October 2016, c25.
[40] Local Government and Communities Committee, *Official Report*, 5 October 2016, c37.
[41] Local Government and Communities Committee, *Official Report*, 5 October 2016, c31.
[42] Local Government and Communities Committee, *Official Report*, 28 September 2016, c4.
[43] Local Government and Communities Committee, *Official Report*, 5 October 2016, c8.
[44] Local Government and Communities Committee, *Official Report*, 28 September 2016, c11.
[45] Local Government and Communities Committee, *Official Report*, 5 October 2016, c41.
[46] *Scottish Government*, Briefing Note on Water Charges and Council Tax, paragraph 11.
[47] Local Government and Communities Committee, *Official Report*, 28 September 2016, c17.
[48] Local Government and Communities Committee, *Official Report*, 5 October 2016, c38.
[49] Local Government and Communities Committee, *Official Report*, 21 September 2016, c3.
[50] Local Government and Communities Committee, *Official Report*, 28 September 2016, c4.
[51] Local Government and Communities Committee, *Official Report*, 5 October 2016, c40.

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[52] CAS, written submission of evidence to the Committee.
[53] Child Poverty Action Group in Scotland, written submission of evidence to the Committee.

Annexe A – Written and Oral Evidence

Wednesday 21 September 2016

Panel 1:

Professor Kenneth Gibb, University of Glasgow; Professor David Bell, University of Stirling; Professor Richard Kerley, Queen Margaret University.

Panel 2:

Joan Hewton and Les Robertson, Institute of Revenue, Ratings and Valuation; David Thomson, Scottish Assessors' Association, David Melhuish, Scottish Property Federation; Don Peebles, CIPFA Scotland

Wednesday 28 September 2016

Cllr Kevin Keenan and Jonathan Sharma, COSLA; Paul Manning, Scottish Local Government Partnership (SLGP); Derek Yule, CIPFA Directors of Finance; Dave Watson, UNISON Scotland.

Wednesday 5 October 2016

Derek Mackay, Cabinet Secretary for Finance and the Constitution, Scottish Government.

Written evidence was received from a number of organisations and individuals and is available here.