

# The Highland Council

Agenda Item	<b>18</b>
Report No	<b>HC/37/23</b>

**Committee:** The Highland Council

**Date:** 14 September 2023

**Report Title:** Scottish Government and CoSLA Consultation: Fairer Council Tax

**Report By:** Executive Chief Officer, Communities & Place

## 1. Purpose/Executive Summary

- 1.1 The stated policy intent of this joint consultation by Scottish Government and CoSLA is to make Council Tax less regressive and therefore fairer. Council Tax is a property-based local tax with a personal element. The Assessor is responsible for determining a Council Tax valuation band for each domestic dwelling and the Council is responsible for determining the Council Tax charge for dwellings in Band D. Thereafter, nationally set proportions, known as multipliers, are applied to the Band D charge to establish the annual Council Tax rates for Bands A-C and Bands E-H inclusive.
- 1.2 The consultation seeks views on increasing the multipliers for Bands E-H by 7.5%, 12.5%, 17.5% and 22.5% respectively.
- 1.3 The draft response to this consultation is detailed at Appendix 1 to this report.

## 2. Recommendations

- 2.1 Members are invited to:
  - i. Consider the policy matters raised in this consultation; and
  - ii. Agree the final response for submission.

## 3. Implications

- 3.1 Resource - Increased charging provides the potential for increased revenue for the Council. The additional income will be dependent on a number of factors, including the level of increased charging; collection rates; and the impact that this and other Council Tax and Non-Domestic Rates policy changes have on the use of properties.

If implemented, increased local taxation charging and legislative changes may have a resource impact on the Revenues & Business Support section if it leads to an increase in the level of recovery activity and applications for Council Tax Reductions and other discounts, exemptions, etc. Any eventual increase in the value of Council Tax Reduction awards will have budget implications.

- 3.2 Legal - Council Tax multipliers are set in legislation and apply to all domestic properties across Scotland. These multipliers can be amended by secondary legislation.
- 3.3 Community (Equality, Poverty, Rural and Island) - The policy intent of this consultation is to make Council Tax fairer by increasing Council Tax liabilities for those residing in dwellings in Council Tax Bands E-H inclusive. Council Tax Reduction and other discounts and exemptions are available for eligible taxpayers in all Council Tax bands (A-H inclusive). Equality impact assessments should be carried out by the Scottish Government prior to determining whether or not to introduce this policy change.
- 3.4 Climate Change / Carbon Clever - There are no Climate Change/Carbon Clever impacts directly arising from this report.
- 3.5 Risk - There is a risk that this policy proposal is considered in isolation from other related proposals for change, including changes arising from a review of the Council Tax system. This could result in unintended consequences and impacts. There is a further risk that increases and changes to local taxation have negative impacts on collection rates and are therefore detrimental to this important revenue stream for the Council.

Prior to implementation of any changes that may result in increased charging, the financial and other impacts will need assessed and considered, and mitigation identified for unintended consequences.

- 3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) - There are no Health and Safety impacts directly arising from this report.
- 3.7 Gaelic - There are no Gaelic impacts directly arising from this report.

#### **4. Background**

- 4.1 In Highland, Council Tax contributes around 20% of the Council's General Fund and is therefore an important income stream. The Council Tax income target for 2023/24 is £143.563m, with receipts being fully retained by the Council.
- 4.2 From 1 April 2017 the multipliers for Council Tax valuation bands E-H inclusive were increased by 7.5%, 12.5%, 17.5% and 22.5% respectively. Since then, these increases have been applied to all Council Tax bills for dwellings in these valuation bands (E-H). The current proposal would increase Band E-H charges by a further 7.5%, 12.5%, 17.5% and 22.5% respectively on an ongoing basis.

#### **5. Council Tax**

- 5.1 Details of the of 123,461 domestic dwellings in Highland, per Council Tax valuation bands, are provided in the table below. (Data set as at 1 August 2023).

<b>Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
No. of Dwellings	19,489	23,588	24,885	20,468	19,930	10,049	4,710	342

- 5.2 Based on current collection rates; awards of all reductions, discounts and exemptions from Council Tax; the Council Tax base; and the use of domestic dwellings in valuation Bands E-H inclusive the potential additional annual recurring General Fund revenue arising from this proposal is £6.8m. Of the 123,461 domestic dwellings in Highland, 88,430 (71.6%) are placed in valuation bands A-D, and 35,031 (28.4%) dwellings are in Bands E-H inclusive. Proposals to increase the multipliers, and therefore Council Tax, would therefore impact around 35,000 households in Highland.
- 5.3 The Council Tax Reduction (CTR) scheme is a means-tested schedule of reductions of up to 100% from Council Tax liabilities and is administered by the Council's Service Delivery team. The breakdown of CTR by Council Tax valuation band is provided in the table below. There are specific income rules for households living in Council Tax valuation bands E to H, which means CTR is calculated in a different way from main Council Tax Reduction for Bands A-D.

	A	B	C	D	E	F	G	H
Properties	19,489	23,588	24,885	20,468	19,930	10,049	4,710	342
CTR Caseloads	5,460	4,572	3,313	1,468	882	208	67	2
% of properties	28.02%	19.38%	13.31%	7.17%	4.43%	2.07%	1.42%	0.58%
CTR Value (£m)	3.90	3.70	3.08	1.50	1.09	0.33	0.13	0.04

- 5.4 As can be seen from this table, 92.7% of all recipients of Council Tax Reduction reside in dwellings in Council Tax valuation Bands A-D. This table represents those who have applied for and been awarded Council Tax Reduction and does not represent the numbers of households in each valuation band that are entitled to this financial support. Increases in charging for Council Tax valuation band is likely to increase the numbers of those entitled to Council Tax Reduction based on the scheme that is currently in operation.

## 6. Potential Impact of Council Tax Multiplier Increases for Bands E-H

- 6.1 The impact of the proposed increases to multipliers for Council Tax valuation bands E-H are detailed below and range from an additional £140.64 per annum for a Band E dwelling to £786.74 per annum for those residing in Band H dwellings.

Potential Impact of Proposed Council Tax Multiplier Increases				
	2023/24 Rates £	Proposed Increase in Multiplier Rate £	Rates after Proposed Multiplier Changes* £	Proposed annual increase £
DBR	792.88		792.88	0.00
A	951.46		951.46	0.00
B	1,110.04		1,110.04	0.00
C	1,268.61		1,268.61	0.00
D	1,427.19		1,427.19	0.00
E	1,875.17	7.5%	2,015.81	140.64
F	2,319.18	12.5%	2,609.08	289.90

G	2,794.91	17.5%	3,284.02	489.11
H	3,496.62	22.5%	4,283.36	786.74

\*Based on 2023/24 Council Tax Rates

6.2 A high-level summary of the Council's proposed response is detailed below. It is proposed that the Council seeks:

- a reasonable and affordable balance of charging across Council Tax valuation bandings.
- unspecified smaller increases to the multiplier than proposed in the consultation
- that increases in receipts arising from any eventual increases in Council Tax multipliers provides additional annual recurring revenue which does not replace or substitute other revenue streams, including the General Revenue Grant.

Designation: Executive Chief Officer, Communities & Place

Date: 31 August 2023

Author: Sheila McKandie

Background Papers:

Appendices: Draft Consultation Response

## Council Tax Multipliers: Consultation

### Respondent Information Form

**Please Note** this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy:

<https://www.gov.scot/privacy/>

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

The Highland Council

Phone number

Address

Glenurquhart Road, Inverness,

Postcode

IV3 5NX

Email Address

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (without name)
- Do not publish response

#### Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes
- No

## **About You Questions**

### **1. About you Question 1**

[For individual respondents] Please tell us which local authority area(s) you live in

Local Authority Area(s):

[For organisational respondents] Please tell us which local authority area(s) your organisation operates in

Local Authority Area(s): **The Highland Council**

### **2. About you Question 2**

If you pay Council Tax, please indicate which Council Tax band(s) apply to the property (or properties) for which you pay Council Tax:

Band A

Band B

Band C

Band D

Band E

Band F

Band G

Band H

I don't pay Council Tax

I don't know

The proposed responses are shown in bold text and by using boxes, where possible.

### Consultation Questions

1. Do you think that Council Tax in Scotland should be changed to apply increases to the tax on properties in Bands E, F, G, and H?

Yes/ No/ Don't know

Please give reasons for your answer?

**The Highland Council agrees in principle for a reasonable and affordable balance of charging across Council Tax valuation Bandings.**

**Increases in receipts arising from any eventual increases in Council Tax multipliers must provide additional annual recurring revenue which does not replace or substitute other revenue streams, including the General Revenue Grant.**

**Charging changes need to be proportionate and should take into account the cumulative impacts on local residents' incomes and their overall ability to pay increased charges. To protect the existing strong collection rates provided by Council Tax, charges need to be affordable and demonstrate value for taxpayers.**

**The timing of Council Tax increases is also important, as is the need to spread such increases across as wide a tax base as is reasonable and appropriate. Cost of living increases are placing additional pressures on households' incomes which is reducing the amounts available for non-discretionary spend, including Council Tax, and discretionary spend.**

### More Information:

The table below presents current Council Tax charges in Scotland and shows the rate for each band as a proportion of the rates applicable to Band D properties.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
<b>Scotland Average Council Tax Charge 2023-24</b>	£944	£1,102	£1,259	£1,417	£1,861	£2,302	£2,774	£3,470
<b>Council Tax charges as a proportion of the</b>	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45

**charge for a  
property in  
Band D**

2. The proposal is to increase the Council Tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively. Do you agree with the levels of increase set out in this proposal?

Yes/ No/ Don't know **No**

3. If you have answered no to Question 2, what do you think the increases to the Council Tax on properties in Bands E, F, G and H should be?

- The increases should be smaller**
- The increases should be greater
- Don't know

4. When should any increases be introduced if the tax on higher band properties is increased as proposed?

- Full effect from 2024-25
- Phased-approach over two financial years (2024-25 and 2025-26)
- Phased-approach over three financial years (2024-25, 2025-26, and 2026-27)
- Other (Please state)**

**To inform this decision, and to mitigate any unintended consequences that may arise, the cumulative impacts of other planned or proposed changes to the Council Tax system need understood. This approach should achieve a reasonable and affordable balance of charging across Council Tax valuation Bandings. Considering individual proposals to change the Council Tax system in isolation could result in outcomes that are disproportionate and unaffordable for individual households and give rise to unintended consequences without having identified mitigation. For example, there could be a decline in Council Tax collection rates which would impact this important income stream for Councils and therefore Councils' abilities to deliver local services.**

More information:

- Increasing Council Tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively would increase bills by around £139, £288, £485 and £781 per dwelling in these bands, based on 2023-24 Council Tax rates.
- Changes could take effect from 2024-25, or could be introduced as a phased-approach, with year-on-year increases over a number of financial years (e.g. for Band H a £260 increase in each of the next three financial years starting from 2024-25, such that the full £781 (22.5%) increase does not apply until 2027-28).



5. Should the Council Tax Reduction scheme be expanded to protect those on lower incomes from any increases to higher band properties?

Yes/ No/ Don't know

More information:

- In 2017, the Council Tax Reduction Scheme was expanded to provide relief to households affected by the changes if their income was in the lower half of incomes in Scotland.
  - The expanded Council Tax Reduction Scheme relief scheme protected low-income households living in Bands E to H from the increase in their bill caused by the increase in the multipliers, and is still available.
6. The proportion of properties in each valuation bands E - H varies across the country. This means that some councils would benefit more than others from any increases in council tax in these property bands. Should steps be taken to ensure that all councils benefit proportionately from this policy?

Yes/ **No**/ Don't know

Please give reasons for your answer?

**Council tax is a form of local taxation. The number of properties in each Council Tax Band provides some indication but is not a full measure of the demographics, and distribution of income and wealth within a Local Authority area. Council Tax Bands also reflect the availability of housing in terms of size and quality in each Local Authority area.**

**Each Local Authority is responsible for setting a balanced budget on an annual basis and for deciding local priorities according to the needs of local residents and businesses. As part of this process, individual Councils exercise discretion to decide the Council Tax Band D charge which involves considering the impact of the mandatory Council Tax multipliers, and the amount of revenue to be collected from Council Tax to deliver a balanced budget. Once each Council agrees the Council Tax Band D charge for their respective local authority area, the nationally set multipliers must then be used to calculate the Council Tax charges for each Band, A-C and E-H inclusive. This means that Council Taxpayers living in the same Council Tax Band in Scotland but in different Local Authority areas, may be liable for different Council Tax charges. It therefore follows that Council Tax paid within a specific Local Authority area must be fully retained by that Local Authority in order to provide the locally agreed range of services for local residents and businesses.**

**Taking steps to ensure benefits are shared proportionately by all councils would erode the principles that define Council Tax as a local tax, which is decided locally for the provision of local services. Local retention also provides a system that enables those who contribute to the tax to benefit from a wide range of local services.**

More information:

- If further changes were made to charges for property Bands E to H there would be disproportionate benefits to some council areas where they have more Band E to H properties relative to other councils.
- General Revenue Grant is the main source of funding for local authorities.
- The distribution of General Revenue Grant could be adjusted to ensure the benefits are shared proportionately by all councils.
- This adjustment would mean that any changes would not disproportionately benefit, or disadvantage, any council.

7. Please tell us how changes to Council Tax rates for properties in Bands E, F, G and H might impact you, or the people your organisation represents?

More information:

We have undertaken initial work to assess the potential impacts of these changes for individuals and communities. We would welcome your views and comments to help us better understand these impacts.

Answer:

Please provide your views

**Local Authorities require appropriate levels of funding for ongoing statutory compliance and to provide locally decided priorities for communities and businesses. In Highland, collections from Council Tax contribute around 20% of the Council's annual budget. Accordingly, Council Tax provides a critical income stream for the Council.**

**In Highland, 28.37% or 35,031 properties are entered on the Council Tax List in Bands E-H. In total there are 123,461 properties in Highland registered for Council Tax. The breakdown for Bands E-H is as follows**

<b>Number of Council Tax properties per CT Band</b>			
<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>19,930</b>	<b>10,049</b>	<b>4,710</b>	<b>342</b>

**To protect the reputation of the Council Tax system and collection rates, taxpayers need to be able to benefit from the provision of local services, which provide value for money. Council Tax income raised following national review should provide additional income for Councils by ensuring this revenue is additional to overall General Revenue Grant funding levels. Reductions in overall funding for Councils impacts Councils' abilities to enhance or sustain services, which ultimately impacts local residents and businesses.**

**The challenge is to strike the balance between ensuring Councils have sufficient budgets to deliver local services for residents and businesses, while ensuring that the cumulative impacts of changes to the Council Tax system are proportionate and affordable for taxpayers. The amount of contribution from Council Tax to Councils' overall funding also needs to be reasonable and proportionate.**

8. Please tell us how you think changes to Council Tax rates for properties in Bands E, F, G and H would affect your local area, or Scotland as a whole (please consider social, economic, environment, community, cultural, enterprise impacts that you think are relevant)?

More information:

We have undertaken initial work to assess the potential impacts of these changes for individuals and communities. We would welcome your views and comments to help us better understand these impacts.

Answer:

Please provide your views

**Full impact assessments, including those impacts that affect island communities are essential to answer this question in full. Disproportionate increases in charges for those living in these Council Tax Bands will impact affected taxpayers' disposable incomes and the amounts they have available for non-discretionary and discretionary spend, including food and energy spend. The socio-economic impacts of any such changes therefore need to be carefully assessed.**

**While Council Tax Bands can provide a partial indication of income and wealth, it is not a full measure. For example, some households choose to invest a modest amount relative to their income and wealth in their privately-owned or rented accommodation.**

**Across the Highlands, some properties in Bands E-H are occupied by pensioners, including single pensioners, who have limited incomes. Consequently, these taxpayers may not be able to afford the proposed Council Tax multiplier increases or to do so, may reduce other non-discretionary and discretionary spend.**

**The impacts are variable for those paying increases to mortgage and rent payments, with some paying substantially more each month to their mortgage providers and landlords without necessarily having proportionate increases to their incomes. These households will comprise single people, couples and households with children. Increased household costs therefore have wide ranging impacts. To meet their family needs, some of those impacted by these increases may have maximised the amount of their mortgage or rent, and therefore their monthly payments, when interest rates and rental payments were lower. These households will therefore find it difficult to also pay the proposed increases in Council Tax charges, or to do so, will need to reduce spend in other areas which could have economic impacts.**

**Households living with additional support needs often need to live in larger properties to accommodate equipment, supplies and to provide facilities to meet these needs. The Council Tax system is designed to reduce the Council Tax Band by one for those who are eligible for the Disabled Band Reduction. There may therefore be scope to extend the amount of relief available for qualifying households. These households may be impacted by mortgage rate and rent increases and may be disproportionately impacted by energy costs to operate electrical equipment.**

**Scotland's culture is diverse. Extended family living is central to some of these cultures, and often involve living in larger properties. These larger properties may fall within Bands E-H and would therefore be impacted by the proposed multiplier increases. These changes therefore need equality impact assessed.**

**The size and quality of available housing does not always meet demand. In some areas within Highland, and elsewhere in Scotland, there is substantial pressure on housing supply to meet local needs. Some households are having to live in accommodation that is larger than is required to meet their needs as there is no suitable accommodation available for them. These families are probably paying higher mortgage and rent costs than they can afford or would prefer to pay. Increases to Council Tax Bands E-H inclusive will add further pressures on these household budgets.**

**Increases to Council Tax charges may be alleviated for those who are eligible for means-tested Council Tax Reduction. Means-testing for those in Bands E-H is different to the assessment for Bands A-D inclusive. However, some taxpayers across all Council Tax Bands have incomes that are just above the eligibility thresholds making it difficult to manage their finances and to prioritise non-discretionary spend. A review of the Council Tax Reduction scheme may help mitigate this impact.**

**In Highland, 28.37% of all properties registered for Council Tax are in Bands E-H. Of the 35,031 households living in Bands E-H, 3.3% are eligible for varying amounts of Council Tax Reduction and 7% of those receiving Council Tax Reduction across all Council Tax Bands, A-H inclusive, are living in property Bands E-H.**

Number of Council Tax properties per CT Band				
CT Band	E	F	G	H
No. of properties	19,930	10,049	4,710	342
Council Tax Reduction entitlements	882	208	67	2

**By comparison, 71.63% of all properties registered for Council Tax are in Bands A-D and 17% of households living in these Bands are in receipt of Council Tax Reduction.**

**Council Tax Discounts, Exemptions and Disabled Band Reduction are also available to help alleviate the impacts and affordability of Council Tax charges.**

9. Please tell us how you think changes to Council Tax rates for properties in Bands E, F, G and H might affect Island Communities

More information:

- If further changes were made to charges for property Bands E to H there would be disproportionate benefits to some council areas where they have more Band E to H properties relative to other councils.
- General Revenue Grant is the main source of funding for local authorities.
- The distribution of General Revenue Grant could be adjusted to ensure the benefits are shared proportionately by all councils.
- This adjustment would mean that any changes would not disproportionately benefit, or disadvantage, any council.

Answer:

Please provide your views

**The Council's response to question 8 above fully applies to island communities. The impacts however are more acute for island communities. There is a limited range of property size and type and often island residents are living in homes which don't always reflect their family size and housing needs, or their abilities to pay. Preventing depopulation and invigorating repopulation are important for island communities, and also for remote and rural mainland communities. These are influenced by a range of factors, including the costs of living in available accommodation that may not necessarily reflect individual need. This can mean that some households are living in larger houses with higher Council Tax Bands without have the financial means to afford these higher charges. These households may not be eligible for Council Tax Reduction or Disabled Band Reduction.**

**Island living is also more expensive where the costs of living are disproportionately higher. Council Tax increases may therefore have disproportionate impacts for island residents.**

10. Do you think there would be any equality, human rights, or wellbeing impacts as a result of the proposed increases in Council Tax rates for properties in Bands E, F, G and H ? Please tell us what you think these impacts would be.

Answer:

- Yes  
 No  
 Don't know

Please give reasons for your answer.

**The Scottish Government will need to undertake full impact assessments to answer this question in full.**

**It is well established that financial pressures impact individuals' physical and mental health and therefore their wellbeing.**

**For the reasons set out above, housing supply and quality in Highland, and across Scotland, do not always meet housing need. In some areas there is significant pressure on housing supply and in others housing supply is adequate. This does not however mean that the size of accommodation is suitable. As a result, some taxpayers are living in accommodation that does not always meet their needs or reflect their abilities to pay. This means being over or under accommodated does not necessarily reflect ability to pay varying Council Tax charges.**