

ITEM No ...5.....

REPORT TO: CITY GOVERNANCE COMMITTEE – 4 SEPTEMBER 2023

REPORT ON: COSLA & SCOTTISH GOVERNMENT COUNCIL TAX CONSULTATION

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 232-2023

1.0 PURPOSE OF REPORT

1.1 This report advises members about a joint COSLA and Scottish Government proposal to change the current system of Council Tax multipliers. It also sets out a proposed response to be submitted on behalf of Dundee City Council.

2.0 RECOMMENDATIONS

2.1 It is recommended that members:

- I. Note the Scottish Government and COSLA have issued a joint consultation paper on proposals to change the current system of Council Tax multipliers and
- II. Consider and agree the draft response to the consultation to be submitted by the deadline 20 September 2023 (Appendix 1).

3.0 FINANCIAL IMPLICATIONS

3.1 Scottish Government have indicated based on 2023/24 Council Tax rates the proposed changes could raise an additional £176 million.

3.2 Based on current distribution methodology Dundee's share would be around £4.92m, if the increases were phased in over 3 financial years as per our recommendation in the consultation paper (Appendix 1) this would equate to £1.64m per year.

4.0 MAIN TEXT

4.1 Council Tax is a local tax, set and administered by each Council and this year is expected to contribute around £2.9 billion to the funding of local public services in Scotland.

4.2 The present Council Tax system was introduced in 1993 by the UK Government and has since been wholly devolved to the Scottish Government. However, Council Tax is a local Tax, and the administration resides with Councils. Council Tax Reduction (previously Council Tax Benefit) was devolved to Scottish Government and introduced from 1 April 2013.

4.3 Council Tax is paid by the occupiers of domestic properties, with the amount due to be paid depending on:

- The valuation band the property is in (determined by Tayside Valuation Joint Board and reflects the figure which the property might have been expected to sell on the open market on 1st April 1991).
- The Band D tax rate set by the local authority
- Any discounts (example 25% single person discount),
- Any exemptions (example properties wholly occupied by students), and
- Reductions (Council Tax reduction scheme).

4.4 Revenue from Council Tax is retained in full by Councils and contributes towards the funding of local public services. In financial 2023-24 Council Tax funds 17% of the Council's total budget.

4.5 Each local authority's Council Tax income will vary, depending on the tax rate set, the total number of properties and the number of properties in each valuation band. In Dundee 85% of all chargeable dwellings are in bands A-D, with 15% in Bands E-H.

4.6 The focus of the proposal is to address the balance of burden within the system and will have the effect of amending the multipliers for Bands E-H, with the multipliers for Bands A to D remaining unchanged.

4.7 Council Tax band multipliers can be amended by regulations. This was done previously from 1 April 2017 resulting in the charge for properties in Bands E-H being increased by 7.5%, 12.5%, 17.5% and 22.5% respectively. The following table sets out the pre-2017, current and proposed multipliers for each property band.

Property Band	Pre-2017 multiplier of Band D	Post -2017 Multiplier of Band D	2023 consultation proposal	Dundee Properties by Band *
A	0.67 (6/9)	0.67	0.67	24738
B	0.78 (7/9)	0.78	0.78	15630
C	0.89 (8/9)	0.89	0.89	8828
D	1.00 (9/9)	1.00	1.00	9011
E	1.22 (11/9)	1.31(+7.5%)	1.39(+7.5%)	6962
F	1.44 (13/9)	1.63 (+12.5%)	1.75(+12.5%)	2447
G	1.67 (15/9)	1.96 (+17.5%)	2.13(+17.5%)	1145
H	2.00 (18/9)	2.45(+22.5%)	2.68(+22.5%)	33
All Bands				68794

- Chargeable properties after adjustment for exemptions & current CTR entitlement.

4.8 Dundee has 68,794 chargeable domestic dwellings (this figure can vary throughout the year). Bands E-H equate to 15% of the total chargeable dwellings with the bulk of these being in band E.

4.9 347 Band E-H households are in receipt of Council Tax Reduction and would not be affected by any change to the multiplier.

4.10 Using the current Council Tax rates for each property band, the increase in tax for bands E-H would be:

Band	Current Multiplier	Current Charge	New multiplier	Revised Charge	£ increase	No of properties effected
E	1.31	£1,953.00	1.39	£2,099.48	£146.48	6962
F	1.63	£2,415.45	1.75	£2,717.38	£301.93	2447
G	1.96	£2,910.93	2.13	£3420.34	£509.41	1145
H	2.45	£3,641.75	2.68	£4,461.14	£819.39	33

4.11 The additional income the Council might expect to raise from the changes to Band E-H would be in the region of £2.36m, although the exact amount would be subject to changes to reliefs and Council Tax Reduction eligibility.

4.12 Council Tax collection level for bands E-H currently runs at around 98.4%.

5.0 POLICY IMPLICATIONS

5.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment. Should the legislative changes proposed be subsequently enacted, there may be negative impacts on some households in the City. As part of our response to this consultation we have suggested that a CT hardship scheme may need to be developed.

6.0 CONSULTATIONS

6.1 The Council Leadership Team were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

7.1 None.

**ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

4 SEPTEMBER 2023

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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

Dundee City Council

Phone number

01382 434000

Address

Dundee House
50 North Lindsay
Street

Postcode

DD1 1NN

Email Address

Jacqui.kobel@dundeecity.gov.uk

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

Local Authority Area(s): Dundee City

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

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

DCC comment - Any increase to the multipliers provides the ability to raise much needed income for local authorities to support local services. In Dundee approx. 15% (10,587) of chargeable dwellings fall into bands E-H with the majority (6,962) in band E.

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
Scotland Average Council Tax Charge 2023-24	£944	£1,102	£1,259	£1,417	£1,861	£2,302	£2,774	£3,470
Council Tax charges as a proportion of the charge for a property in Band D	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45

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

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

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

DCC comment – a phased approach over 3 years would allow households time to budget effectively and manage any potential increase in Council Tax charge.

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).

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

Yes

DCC Comment - 3% of households in Bands E-H are currently in receipt of Council Tax Reduction, any expansion of the scheme would be welcomed to support those who marginally miss out on this support.

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.

5. 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

DCC Comment - Any additional Council Tax raised should be fairly distributed across the Country to protect services across all Council areas. Otherwise, areas with a higher proportion of band E-H properties will see a greater benefit.

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.

6. 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

Dundee has 68,794 chargeable domestic dwellings. 10,587 are in Bands E-H, this equates to 15% of the total chargeable dwellings with the bulk of these (66%) in Band E. 347 Band E-H households are in receipt of Council Tax Reduction and will not be affected by the proposed change.

Based on current Council Tax rates the increase for households in Dundee would be Band E - 40p per day.
Band F- 83p per day
Band G - £1.40 per day
Band H - £2.25 per day.

7. 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

The Council's medium term financial strategy outlines a projected savings requirement over the next 3 years of £28.6m. Any increase to the Council Tax multipliers provides the ability to raise additional income for local authorities to support local services. 85% of the Council's chargeable properties are in Band A-D, the change to the multipliers would have no impact on these properties. There is a risk to the 15% of properties in Bands E-H, the proposed changes add to the burden of the current cost of living pressures. This in turn may have a wider impact on the economic activity in the city. Evidence from current year council Tax collection has shown collection levels are largely being maintained in the current

8. 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

Not applicable.

9. 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

Please give reasons for your answer.

The proposals will impact those households who are without any form of Council Tax Reduction support. There is a risk that these households are the same ones who have been negatively impacted by the continued increases on mortgage rates and over all cost of living increases.

COSLA & Scottish Government should review the possibility of a Council Tax Hardship Fund to support households who can show they will suffer hardship due to the change in multiplier increase.

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