

**COMMISSION ON LOCAL TAX REFORM**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The Commission on Local Tax Reform is an independent Commission established to look at ways of delivering a fairer system of local taxation in Scotland. The Commission is chaired by Marco Biagi, MSP, Minister for Local Government and Community Empowerment, and Councillor David O'Neill, President of CoSLA. The Commission will present its findings in late 2015. One of their first steps is to issue a call for evidence which closes on Monday 22 June. We have been granted an extension until 30 June to allow discussion at Council. The paper attached provides a draft response to the call for evidence for approval by the Council.

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**2.0 INTRODUCTION**

2.1 The Commission on Local Tax Reform is an independent Commission established to look at ways of delivering a fairer system of local taxation in Scotland. The Commission is chaired by Marco Biagi, MSP, Minister for Local Government and Community Empowerment, and Councillor David O'Neill, President of CoSLA. The Commission will present its findings in late 2015. One of their first steps is to issue a call for evidence which closes on Monday 22 June. We have been granted an extension until 30 June to allow the response to be taken to Council. The paper attached provides a draft response to the call for evidence for approval by the Council.

**3.0 RECOMMENDATIONS**

3.1 Council is asked to approve the draft response attached at Appendix 1.

**4.0 DETAIL**

4.1 In 2014 the Local Government and Regeneration Committee of the Scottish Parliament produced a report on its inquiry into the Flexibility and Autonomy in Local Government in Scotland. One of the Committee's key recommendations called on the Scottish Government to establish a cross-party commission to examine new ways in which to fund local government in Scotland. This recommendation was subsequently reflected in the Scottish Government's Programme for Government 2014-15 which set out a commitment to "invite our local authority partners to work with us to convene an independent commission to examine alternative to the existing Council Tax system that would deliver a fairer system of local taxation to support the funding of services delivered by local government. We will seek the involvement of all political parties in this commission which will commence in early 2015 and report in the Autumn."

4.2 The Commission is chaired by Marco Biagi, MSP, Minister for Local Government and Community Empowerment, and Councillor David O'Neill, President of CoSLA. The Commission includes party representatives from Scottish Liberal Democrats, Scottish Labour, Scottish Green Party and the Independent Group. The Scottish Conservatives are taking forward their own Low Tax Commission. There are a number of representatives from elsewhere in public life with specialist tax and public finance knowledge. The Commission's remit emphasises the need for it to conduct its work by engaging with stakeholders and communities across Scotland

and as part of this have issued a call for evidence on 5 May with a response deadline of 22 June.

- 4.3 CoSLA's draft response is being considered by the Convention at the end of June. It has been developed by the Fiscal Empowerment Task Group with the support of Directors of Finance, SOLACE, revenue practitioners, property assessors and other relevant expertise. It draws on the six principles of local taxation developed as part of the Local Government Funding Review endorsed by the Convention and published in December 2013. The task group was established in June 2014 and was charged with delivering actions from that review.
- 4.6 The draft response attached at Appendix 1 is very much in line with the Cosla draft response and also largely reflects the views agreed by Council on 17 March 2005 in its response to the Local Government Finance Review Committee Consultation issued in February 2005 which was put together with input from the Policy Development Group – Finance Review which met on 14 February and 3 March 2005.
- 4.7 Sir Peter Burt's report the following year "A Fairer Way: Report by the Local Government Finance Review Committee" recommended a Local Property Tax. It was not progressed. A couple of years later, the Lyons Inquiry final report and recommendations was published on 27 March 2007 and stated "I have also concluded that council tax is not 'broken', but is seen as unfair and has been put under too much pressure." He made a number of recommendations to revalue council tax, and reform the banding structure. None of these recommendations have been taken forward.
- 4.8 Wales is the one part of the United Kingdom to have had a council tax revaluation. This was based on property values as at 1 April 2003. They introduced one extra band and the new band I has a charge 3.5 times Band A charge. This came into effect for the 2005/6 council tax year. England had planned a revaluation by 1 April 2007 but abandoned this plan in October 2005 following the controversy over the Welsh revaluation.
- 4.9 It is recognised that any attempt to change the council tax system will be fraught with difficulties, but it should be possible to create a system which is fairer than the current one which has remained largely unchanged for nearly a quarter of a century.

## **5.0 CONCLUSIONS**

- 5.1 Council is asked to approve the draft response attached at Appendix 1 which is in line with Cosla's draft response and the views expressed by the Council in March 2005 when it previously considered this matter.

## **6.0 IMPLICATIONS**

- 6.1 Policy: In line with Cosla's six principles of local taxation.
- 6.2 Financial: Dependent on what changes to local taxation are enacted.

- 6.3 Legal: New legislation will be required to put any changes into effect.
- 6.4 HR: None.
- 6.5 Equalities: A full impact analysis would be required for any new local taxation policy.
- 6.6 Risk: Any change to local taxation system is subject to risk.
- 6.7 Customer Service: Retaining a modernised council tax system would minimise risk to customers as we have effective systems already in place.

Appendices

- 1 Draft response to call for evidence

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**15 June 2015**

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