



THE COMMISSION ON LOCAL TAX REFORM

WHAT'S THE FUTURE OF LOCAL TAXATION IN SCOTLAND?

Tell us what you think

We are an independent Commission that brings together expertise and experience from across Scotland 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 the Convention of Scottish Local Authorities. The Commission will present its findings in late 2015. You can find out more information about our membership and remit at www.localtaxcommission.scot

We want to begin our work by hearing your views and suggestions about what happens now, and what the future might be.

This call for evidence is only our first step in listening to you. Any information that you give us now will help start the debate, but we also want this to be an ongoing conversation. Over the next few months we will be setting up different ways in which you can meet us or tell us what you think. A good way to find out about these is by signing up to our newsletter by following @localtaxscot on Twitter.

How to Respond

We will use your information to develop our work, and so what you tell us is really important. For that reason, we want to hear from you by **22 JUNE 2015**, or sooner if you can. *However, let us know if you need more time.* Please also feel free to share any other information with us.



You can complete and return this form electronically to:
evidence@localtaxcommission.scot



You can also respond online via our website:
<http://localtaxcommission.scot/initial-call-for-evidence/>



Alternatively you can post a copy of this form to:
The Commission on Local Tax Reform
Verity House
19 Haymarket Yards
Edinburgh, EH12 5BH

If you are responding as an individual we would be grateful if you could also provide some other information at the end of this form. This will help us develop an overall picture of the information we have. This is optional and will be used anonymously and remain strictly confidential.

If you have any queries please contact info@localtaxcommission.scot or call us on 0131 474 9332.

RESPONDENT INFORMATION

To help us make the most of your response, please tell us about yourself and how you want us to use the information you provide. There are some questions marked * and these must be answered by all respondents, unless you are directed past this question.

| | | |
|---|--|--|
| * I am responding as: | | <input type="checkbox"/> An individual |
| | | <input checked="" type="checkbox"/> An organisation/group |
| Name of Organisation (if appropriate) | <i>Angus Council</i> | |
| Forename | | |
| Surname | | |
| Address | <i>Angus House, Orchardbank, Forfar</i> | |
| Postcode | <i>DD8 1AL</i> | |
| Telephone | <i>01307 476222</i> | |
| Email | <i>Finance@angus.gov.uk</i> | |
| Do you consider yourself or your organisation as from or representing? | | |
| <input type="checkbox"/> a rural area | <input type="checkbox"/> an urban area | <input checked="" type="checkbox"/> an area with both urban and rural parts |
| | | <input type="checkbox"/> don't know / not applicable |
| Would you be happy to be approached by the Commission for further discussion about your submission? | | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| If you are responding as an individual: | | |
| * Do you agree to your response being made available to the public on the Commission's web site? | | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| * If you have agreed to your response being made available to the public, please tell us if we may also make your name and address available. (Please select one option only) | | |
| <input checked="" type="checkbox"/> Yes, make my response, name and address all available | | |
| <input type="checkbox"/> Yes, make my response available, but not my name and address | | |
| <input type="checkbox"/> Yes, make my response and name available, but not my address | | |
| <i>If you are responding as an individual we would be grateful if you could provide some additional information at the end of this form. This is absolutely optional but will help us get an overall picture of the information we receive.</i> | | |
| If you are responding as a group or organisation: | | |
| * The name and address of your organisation will be made public on the Commission's web site. Are you content for your response to also be made available? | | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Which of the following best describes your organisation? (Please select one option only) | | |
| <input type="checkbox"/> Community Group | <input type="checkbox"/> A business | |
| <input checked="" type="checkbox"/> Local Authority | <input type="checkbox"/> A government department or agency | |
| <input type="checkbox"/> Other public sector organisation | <input type="checkbox"/> A social enterprise | |
| <input type="checkbox"/> Third Sector organisation | <input type="checkbox"/> Other (please specify) | |
| <input type="checkbox"/> Professional body | | |
| Short description of the main purpose of your organisation: | | |
| <i>Delivery of local government and associated services</i> | | |

Tell us what you think

We have not provided a long list of questions, but we do want to hear what you have to say about some themes. Please respond to as few or as many as you wish. If you would prefer to send us other information, please feel free to do so. However, it would be helpful to keep your response to no more than eight pages.

If you are able to, please provide evidence or examples in support of what you say. This will help us explore your ideas further.

1. SCOTLAND'S CURRENT SYSTEM OF COUNCIL TAX

To what extent does the current system of council tax deliver a fair and effective system of local taxation in Scotland? Are there any features of the current system that you wish to see retained or changed?

You may wish to illustrate your answer with examples from your own experience.

Introduction

Angus Council welcomes the opportunity to contribute to the debate in this important area. Although the Commission is unique and has a specific remit it is fair to say that local government finance and funding arrangements, including options for local taxation, have been the subject of several previous reviews in the relatively recent past. The Council would encourage the Commission to review the following publications as part of its evidence gathering on the basis these provide some rich material, differing views and a useful critique of the issues with current arrangements and the pros and cons of potential alternatives:-

- A Fairer Way – Report by the Local Government Finance Review Committee (the Burt Report)
- Joint CIPFA Directors of Finance & SOLACE response to Local Income Tax Consultation (2008)
- Commission on Local Democracy Final Report

The Council recognises that no system of taxation is perfect so the choice of system needs to find the best balance between the various aspirations of policymakers in what the system should deliver. Consideration also requires to be given to the basket of taxes that are levied and the collective impact of these across the population rather than only looking at one tax in isolation.

The Council strongly believes that the Commission should examine the options from a perspective of first of all being clear about the purpose of a system of local taxation and the core principles which that system should operate to. Objective examination based on an assessment of how well different options meet an agreed set of principles will allow the pros and cons of those options to be identified and assessed and allow the option which delivers the best balance of outcomes to be identified.

Purpose & Principles

The question of the purpose of a system of local taxation is covered in the Council's response to Question 3. With regard to the principles for assessment of different options the Council believes that those identified in the aforementioned Joint CIPFA Directors of Finance & SOLACE response to the Scottish Government's Local Income Tax consultation in 2008 are an appropriate benchmark to use. These principles are:-

- Accountability;
- Fairness;
- Stability and Predictability;
- Buoyancy of tax base;
- Ease of Understanding and transparency; and
- Ease of Collection including administration

The Council's response to the Commission's questions has been framed with the above principles in mind.

Current Arrangements

The Council Tax system has been part of local government funding arrangements since financial year 1993/94 and is therefore well established. The system has several advantages but also a number of disadvantages. These are considered below measured against the principles the Council considers are important.

Accountability

Further commentary is provided on this point under Question 3 but in summary the Council believes current arrangements do little to promote accountability at the local level. Council Tax funds a small proportion of the total cost of local authority services and the Council Tax freeze means Councils only have direct influence over a very small proportion of their total income by way of income generated from locally determined fees and charges. The accountability deficit which exists at the moment isn't however a product of the Council Tax system alone but of how the system currently operates within the overall system of local government finance and the balance of funding control which exists therein. The Council would therefore argue that the balance of funding and control over taxation decisions at the local level do more to undermine accountability than the current system of taxation itself.

Fairness

Fairness in taxation is important but difficult to define and the fairness of a tax cannot be looked at in isolation from the basket of taxes which exist. Generally speaking the Council sees a place for a broad basket of taxes covering income, wealth and consumption (transaction taxes) as a means of achieving a fair balance for the funding of all public services.

The Council believes the current arrangements lack fairness especially to taxpayers on lower incomes because of the regressive nature of the current system. The Council is also concerned that current arrangements provide inadequate protection for those on lower incomes and we have anecdotal evidence of more taxpayers towards the bottom end of the income ladder being asked to pay partial Council Tax even after Council Tax Reduction has been applied.

Accepting that property and property value is a reasonable proxy for wealth the Council is concerned to observe that the taxpayers in Band H are liable to pay 3 times the Council Tax of those in Band A but the property value of Band H will be at least 8 times higher than that of Band A.

The Council believes there is a place for a property based system of taxation as part of a wider basket of taxes on the basis that property is a reasonable proxy for wealth in the vast majority of cases. However the current system based on out of date valuations and a restricted number of bands especially at the lower end of valuations would need to change to address the regressive nature of the council tax as it currently operates. The Council would wish the Commission to examine in detail whether Council Tax could be made more progressive by reforming the banding and multiplier arrangements and the Council Tax Reduction scheme for those on low incomes.

Stability and Predictability

One of the core advantages of the Council Tax system is its stability and predictability and in the current challenging financial climate for public services this is of vital importance. Local Authorities are required by legislation to set a balanced budget each year and although Councils have no real control over Council Tax levels at present due to the arrangements to freeze the Tax the level of income from this source is stable and predictable both in terms of yield and anticipated collection levels. The Council believes the benefits of stability and predictability in a system of taxation should not be underplayed.

Buoyancy of tax base

Council Tax provides a limited level of buoyancy in some cases. Those Councils which have experienced growth in population and/or an increase in new house building will have benefited from growth in their Council Tax base. For example in Angus the Council Tax base has grown from 37,615 Band D equivalents in 1996/97 to 44,607 in 2015/16 (an increase of 18.6% over 19 years). Based on the 2015/16 level of Council Tax this growth in the tax base is equivalent to £7.5m in additional annual tax yield.

Unlike other taxes e.g. income taxes, Council Tax yield is slower to benefit or suffer from changes in economic conditions. In Angus Council's case we have benefited from a good degree of buoyancy at the same time as having the stability and predictability of the Council Tax system but we recognise this has not been the same for all Councils. On balance the Council is attracted to the stability and predictability of current arrangements rather than having to manage the higher risk/higher reward scenarios of more buoyant systems of taxation.

If the Commission are minded to recommend alternative forms of local taxation which may provide improved buoyancy the Council would argue that part of that consideration should include identification and evaluation of stabilising mechanisms to deal with the inevitable peaks and troughs in tax yield caused by the ups and downs of the economic cycle. This may for example require giving Councils additional borrowing powers to deal with reductions in tax yields or financial guarantees from central government.

Ease of Understanding and Transparency

Council Tax has good and bad aspects in terms of its ease of understanding and transparency. Taxpayers can generally understand that it's based on a property value (albeit an out of date one) with a personal element for specific circumstances and that it can be paid weekly, monthly or annually if desired.

There are however a few problems as follows:-

- There is a lack of understanding by the public of how small a proportion of local services Council Tax actually funds
- The system of discounts and exemptions can be confusing
- Taxpayers don't understand the general nature of the tax and that it's not directly linked to services provided or consumed by individual taxpayers
- The property valuations used are completely out of date and bear no relationship to what taxpayers might expect based on market conditions.

The Council receives regular enquiries and the occasional complaint from Council Tax payers seeking a reduction in their Council Tax because they don't receive all services e.g. un-adopted roads, no street lighting, etc. The general nature of Council Tax is helpful in terms of its ease and cost of administration but does create issues of transparency and fairness in the eyes of taxpayers.

One of the interesting aspects of Council Tax is how taxpayers generally accept that it needs to be paid but seem less happy about the level they are asked to pay and what they get in return. Even though most taxpayers pay significantly more in income tax, national insurance and VAT/excise duties there appears to be something about a local tax which makes it more visible and perhaps more controversial in the eyes of taxpayers. This is probably because it is, in effect, another Bill which needs to be paid as a separate transaction rather than something deducted at source or added to a price. The visibility of Council Tax is therefore potentially a strength in terms of transparency and accountability but it does create some disquiet among taxpayers about whether they are paying a "fair" amount for the services they personally consume or receive.

Ease of Collection Including Administration

This is another area of particular strength in the current arrangements. Collection levels are now consistently high across all Councils following hard work by Council staff to turn around the culture of non-payment which arose under Community Charge.

In Angus our eventual collection levels exceed 98.5%. Any taxation system delivering that level of collection (because it's difficult to evade) is very attractive when considered alongside the other funding challenges and balanced budget responsibilities which Councils have.

The current system is also cost effective. In Angus we estimate the net cost of collection is approximately 1.6% of the gross yield which we expect would compare favourably with other systems of taxation.

Looking at aspects of the system of a more operational nature the Council would like to see the following retained:-

- Instalments commence in April and end in January
- Where an instalment is not paid the ability to issue a joint reminder/final notice
- Freedom for Councils to choose the instalment date
- Maximum of two reminders in a year
- Summary warrant process as a final avenue for collection
- For summary warrant cases the 10% statutory addition to cover collection administration costs
- National Benefit/Reduction scheme (as opposed to a local scheme)

Improved data sharing with HMRC, Government Departments, other Councils and all other public bodies would be a welcome means of helping to maintain and possibly improve collection levels further.

On a wider basis the current Council Tax system also enables an effective shared service arrangement to exist with Scottish Water. This benefits both Councils and Scottish Water by taking advantage of economies of scale and local knowledge. Although there are some issues with the fairness of the payment mechanism with Scottish Water on the whole the Council thinks these work well for both organisations and are an advantage of current arrangements.

One of the other benefits of the Council Tax system is its use to deliver policy aspirations in housing – Councils have responded to the new legislative powers provided on long empty properties allowing additional tax revenues to be generated for affordable housing and vacant properties to be brought back into use much faster than may otherwise have been the case. The Council Tax system has provided a useful platform for delivering wider social benefits which may have been more difficult to achieve through other systems of taxation.

Conclusion

The Council's conclusion to the question of the fairness and effectiveness of the Council Tax system is therefore that in its current form it lacks fairness because of its regressive nature but that it is effective from the point of view of stability and predictability as well as ease of administration. It must also be considered in the context of the basket of taxes that exist. Given the risks, upheaval and costs from replacing Council Tax with a completely new system of local taxation the Council, on balance, believes that options to reform the current Council Tax system should be considered as a pragmatic and measured first step.

As outlined above any system of taxation will involve compromises on the extent to which they meet an agreed set of principles – no system will be best against every principle. The Council would therefore encourage the Commission to look at how the shortcoming of the Council Tax system can be addressed without losing the benefits which exist – there seems to us no reason in principle why this cannot be achieved so that the stability and effectiveness of Council Tax is retained but concerns over fairness and ability to pay are addressed.

2. REFORM OF LOCAL TAXATION

Are there alternatives to the current system of council tax that you think would help to reform local taxation in Scotland? What are the main features of these, and why do you think they would deliver improvement?

Do you have any examples of why this is the case?

Alternatives Available

The Council believes that the alternatives to the current system of council tax cannot be looked at in isolation of some bigger questions around the purpose of the system and the role of local government. Further comment on this is given in response to Question 3.

Leaving those issues aside the main alternatives were explored and analysed by the aforementioned Burt Report and we believe this provides a comprehensive list of the alternative options which are realistically available. These are summarised below:-

- a. Reformed version of Council Tax
- b. Local Income Tax (locally / nationally set)
- c. Other Property Based Taxes
- d. Local Sales/Duties Taxes

Basket of Taxes

The Council's response to Question 1 refers to the importance of looking at arrangements for funding local government services in the context of a basket of taxes which look at income, wealth (and proxies for wealth) and consumption/transactions. We reiterate the view that funding options for local government services should be considered from a perspective of ensuring that the overall tax burden on citizens from national and local taxation is spread and fairly balanced across these different types of tax.

Option A) Reformed Council Tax

The Council's views on this as an option have been outlined in part in the response to Question 1. The Council believes the main issue with the current Council Tax system is fairness due to the regressive nature of the current set up. Additional bands at the top and bottom of the scale and a revised multiplier aimed at making the tax more progressive in combination with a reformed system of support for those on low incomes seems to us capable of making Council Tax fairer than it currently is. The Council accepts the limitations of such amendments in terms of how progressive the system can realistically become but sees reform of what exists as a reasonable first step. The Council also supports the need for the Council Tax valuations to be brought up to date. The use of 1991 values discredits the system and creates confusion and distrust among taxpayers. It is recognised that, while there is no need for the overall tax yield to increase through an updating of valuations, such updating would inevitably create turbulence for individual Council Tax payers and the extent of this turbulence is increasing year on year as updating is delayed.

The Burt Report concluded that a reformed Council Tax was not an appropriate way forward on the basis that reforms to the system were, in the opinion of the Review Committee, unlikely to deliver sufficient improvements to overcome the shortcomings of the system. Whilst the Council agrees that a reformed Council Tax system would still have shortcomings (no system is perfect) we believe that this would be a pragmatic approach compared with options which would change the system completely and all of the cost and upheaval which would result from that.

This is not to say that reforming Council Tax would be without challenge – revaluation and reform to banding and multiplier arrangements would cause turbulence within the system for a period but the Council believes this would be capable of being managed through transitional arrangements. It seems to us that turbulence caused by change would be more capable of management from within an existing stable system of tax than would be feasible if the tax were replaced with something else entirely.

Although there are more compelling reasons to regard a reformed Council Tax as a potentially suitable way forward the potential for increased non-payment could arise if citizens knew the system was to be replaced with something else. Clearly Councils would work hard to avoid such a scenario but local government finances are already very stretched and could ill afford the financial impact of potentially diminishing tax revenues in the lead up to a new system of local taxation being introduced.

Option B) Local Income Tax

Taxes on income are more progressive on the basis that they can better reflect the taxpayer's ability to pay. As such a local income tax would score well against principles such as fairness and transparency and a local income tax system is undoubtedly a viable option as a means of funding local government services.

From review of literature the Council understands that a local income tax could operate on a basis of being set either locally by each local authority or nationally by the Scottish Government and that there are a variety of pros and cons to each method of operation.

A locally set rate of tax could have the attraction of being based on local needs and circumstances and provides more of a link between tax levied and services provided than would exist with a nationally set local income tax but it would be more complex and potentially costly to collect because of such local variation.

A nationally set local income tax to fund all or part of local government services would be easier to administer than a locally determined approach but would in reality become an extension of national taxation with no direct link between the level of tax paid and the services citizens would receive from their local authority.

This highlights the challenges with taxation systems and how the choice has to be a balance between the different principles and aspirations which are sought from the system.

The Council notes that the Burt Report concluded that a local income tax was not an appropriate solution primarily because of concerns around increasing the scale of tax on income rather than other forms of wealth (especially property), predictability issues and the additional administration burdens which would arise.

The Council regards a local income tax as a viable option for the Commission to consider but shares some of the concerns raised in the Burt Report around the balance of tax from different sources. It is possible that changes to taxation arrangements since the Burt Report was published would diminish some of the concerns e.g. the creation of Revenue Scotland potentially provides an efficient option for collection of a local income tax so the Council would not rule this out as an option. The Council would be concerned about a local income tax set nationally on the basis that local government would then become reliant on the Scottish Government for all its income with the exception of the relatively modest amounts raised through local fees and charges.

Option C) Other Property Based Taxes

The Burt Report looked at taxes based on:-

- Rateable Value;
- Land Value; and
- Capital Value

The Council would agree these are the main options for a property based tax in addition to Council Tax.

The Council agrees with Burt that return to a rateable value approach would be a backward step and that other options for taxation based on property would be preferable relative to the core principles outlined in response to Question 1.

The Council also agrees with Burt that a land value tax would be problematic to introduce and create significant upheaval at a time when this can be ill-afforded given the other challenges facing local government service provision.

The Council notes that the Burt Report's primary recommendation was to retain a property tax as a means of funding local government services but that this be based on a new system of capital values for homes in Scotland rather than e.g. a reformed Council Tax. The Council regards this approach as a viable option which could potentially score well against the principles identified and would help maintain the existing balance of taxation on income, wealth and consumption.

The Council is attracted to the local nature of how a local property tax could operate and regards the local accountability such a system would deliver as a key advantage. On balance the Council would prefer to see a reformed Council Tax being the way forward for the reasons outlined earlier but if the Commission were not satisfied that a reformed Council Tax could deliver against the core principles as well as an alternative local property tax then a local property tax along the lines suggested by Burt would be acceptable.

Option D) Local Sales/Duties Taxes

The Council does not believe these types of taxation are a viable alternative to the existing Council Tax system or the other options identified in this response. Significant questions about yield, predictability, ease and cost of collection as well as transparency arise with this form of taxation and the other options available to fund local government services would be preferable.

The Council does however have an interest and sees potential benefit from these types of taxation being available as a supplement to the primary system of local taxation whatever that may be. The Council is concerned about the balance of funding for local government services as it currently exists and the very limited levers available to local authorities to raise additional income for local service provision. This is even more acute because of the Council Tax freeze but would remain a concern whether the freeze existed or not.

The Council hopes the Commission will be able to consider local sales/duty type taxes as a possible supplement option to the primary system of local taxation during its deliberations.

Achieving the Best Balance

The choices around change to current arrangements largely revolve around whether an alternative system can deliver better outcomes than current arrangements and it is therefore inevitable that views will differ on which system of taxation provides the "best" balance, the best outcomes. For some fairness may be the main or even sole concern while for others stability and predictability or cost of collection may be the most important features sought.

The choice of tax system also needs to reflect public aspirations and requirements on the level and quality of public services they wish to receive. Although it can become a circular argument the Council believes there is a need for a comprehensive discussion in Scotland about the level of public services citizens want to receive/are willing to accept and what level of taxation they are willing to pay to achieve that. The Council would like to see a proper debate on the question of tax and public service expectations especially given the unavoidable pressures arising because of demographic change and hopes the work of the Commission can be a catalyst for such debate.

Given that there is unlikely to be a single answer (a system of local taxation) which will be universally agreed the Council recognises that the Commission may find it challenging to recommend a single preferred solution.

Risk of Change and Benefits Achieved

Local Government services have never been more under pressure than they are now and the Council is concerned about the prospect of a significant amount of time, energy and money being applied to introduce a new system of local taxation unless that new system would deliver significantly better outcomes and/or would be relatively easy and cost effective to transition to.

As well as considering the different options for local taxation on their individual merits the Council believes that the benefits of any change should be sufficient to outweigh the costs and possible distraction which moving to a new system would create. In other words an alternative system of local taxation should be so clearly and significantly better than the existing arrangements that they make the negative consequences of moving to that new system worthwhile. The Council notes that this issue is part of the Commission's remit and is pleased this will therefore be considered.

3. LOCAL PRIORITIES

How well do you think that communities' local priorities are accounted for in the way that local taxation operates at the moment? If there is room for improvement, how should things change?

Do you have any ideas or examples about how this could improve people's lives?

The Commission for Local Democracy Final Report (2014)

The Council encourages the Commission to look at the above report as part of its deliberations on this question.

The Place and Purpose of Local Taxation

The Council believes in local democracy and empowerment of citizens and communities at the local level. The Council believes that local people should be able to make very local choices about the public services they want and the taxation levels they are willing to bear in return. The Council does however recognise the diversity of communities and their relative wealth and accepts that national taxation has to be part of the funding mechanism for local services to help equalise such differences in the interests of all citizens.

The Council believes that local public services should be paid for in part by local people paying a locally determined tax and considers that a position where local services were funded solely by central government and national taxation would be unlikely to deliver the level of local empowerment required in a modern democracy.

The Council believes that the purpose of local taxation is therefore to sit alongside national taxation as a means of funding public services. Ideally local taxation should help pay for services which are obviously local, which Councils can vary to suit local circumstances and which local taxpayers can understand in terms of how that money is used in the provision of services.

The Council believes the current balance of funding arrangements for local government in Scotland are in need of review, in other words the balance between the amount of funding raised nationally and locally is detrimental to local empowerment and decision making.

Accountability

There are 2 strands to accountability in this context and both are inextricably linked. Councils are accountable for the services they provide and for the choices they make about how the money they have available is spent and what it achieves. Accountability therefore exists for how money is spent (expenditure decisions) irrespective of how much money is available or how it was raised. Accountability also exists for raising the finance to pay for local services (income decisions) and for the choices made in how that money is obtained e.g. via a range of taxes and charges.

Accountability clearly exists for the expenditure and income decisions which Councils make and can be separated from each other but to do so creates a false position and is actually one of the problems with current arrangements. The purpose of taxation is to help pay for public services in a wide variety of forms so arrangements which break or confuse that link undermine accountability. The current balance of funding and lack of control which Councils have over Council Tax levels and expenditure decisions (e.g. teacher numbers) makes it very challenging to ensure the priorities of local communities can be achieved.

Scope to Deliver on Local Priorities

Despite the challenges Councils have had successes in engaging with local people through community planning and other mechanisms such as participatory budgeting as a means of trying to deliver the local services which people want. The main issue is the limited extent to which Councils are able to reflect local priorities. Councils are constrained by:

- a. National priorities;
- b. Statutory requirements; and
- c. Severe financial challenges

all of which make it difficult to find the resources to reflect local priorities on any significant scale. Of course it would be realistic to assume that some of the national priorities and statutory requirements would be local priorities if they didn't otherwise exist but the point here that is the extent to which Councils have freedom to work with their communities and redirect scarce resources to what those communities want is very limited by current arrangements.

The space in financial and service delivery terms for local priorities has been a challenge since before Local Government Reorganisation in 1996 but has been squeezed further in recent years by national priorities such as the Council Tax freeze and the protection of teacher numbers. In an Angus Council context these 2 examples mean that a possible additional income source is unavailable to support local choices and approximately £55m (22% of our net expenditure) is effectively ring-fenced and unavailable to help support other local priorities.

The aforementioned Commission on Local Democracy Report provides a detailed narrative on local empowerment and choice.

Council Tax Freeze

The Council Tax freeze and its impact is a particularly relevant example to the question posed by the Committee here. Although the freeze has been welcomed and doubtless enjoyed by taxpayers there is some anecdotal evidence locally that taxpayers would be willing to pay more Council Tax in return for the protection of services from cuts or closures. The Council has worked very hard via efficiency programmes and the like to deliver balanced budgets with minimum negative impact on service delivery in recent years but it is not feasible to avoid some impact on services given the prolonged period of financial constraint and significant cost pressures which exist. There is some evidence that taxpayers are realising that a council tax freeze for them personally is likely to mean a reduction in the public services that they can enjoy.

Prior to the Council Tax freeze being introduced Councils had 3 main options to balance their budgets:-

- a. Increase Council Tax
- b. Increase Income from Other Sources – mainly fees and charges for services provided and other grants
- c. Reduce expenditure via efficiency programmes, service redesign, service reduction or closure

We believe that every Council in Scotland will have used a combination of all of the above options as a means of balancing their budget each year and Councillors will have made difficult choices about whether to increase Council Tax to protect specific services or to help deliver local priorities. Although part of each Council's grant settlement is ring-fenced to support the Council Tax freeze as a replacement for the additional income a Council tax rise could have delivered this grant is part of what has been a largely cash flat settlement for Councils in recent years and so has done little to ease the burden of having to balance budgets using only options b) and c) above.

Although it is still Councils who decide Council Tax levels in Scotland the government grant penalties which would apply from not continuing the freeze are such that Councils have little option but to comply with this national policy priority. In Angus Council's view the Council Tax freeze, whilst welcome for local taxpayers during the economic downturn, makes it more difficult to reflect local priorities when taken together with the consequences of austerity on the Council's grant allocation.

The combination of static income, rising costs, rising demand when taken together with statutory duties has significantly affected what can realistically be achieved in delivering local priorities.

Conclusion

The Council accepts that community empowerment and delivery of local priorities is not all about the system of local taxation and that some scope to achieve local priorities will exist regardless of the system of taxation. Our view however is that current arrangements (balance of funding, Council Tax freeze and other imposed constraints) restrict what can be achieved at the local level.

4. FURTHER INFORMATION

We would like to keep the conversation going. Please tell us about any events, networks or other ways in which we could help achieve this.

The Council would welcome the opportunity to host a local engagement event with members of the public to support the Committee's work.

Thank you for your submission. If you have any queries about the Call for Evidence please contact us at:

Commission on Local Tax Reform
Verity House
19 Haymarket Yards
Edinburgh EH12 5BH
0131 474 9200
email: info@localtaxcommission.scot
twitter: [@localtaxscot](https://twitter.com/localtaxscot)