

**Joint Working Group on Sources of Local Government Funding and
Council Tax Reform (Council Tax Bands update)****Report by Kevin Anderson, Executive Director Place****Report for Information****1 Recommendations**

Council are recommended to:

- Note the information provided on the Scottish Government's consultation on a fairer Council Tax.

2 Purpose of Report/Executive Summary

Scottish Government launched a consultation in July 2023 on Council Tax. This report provides Council with the information on the consultation.

Date 30 July 2023**Report Contact:**

Saty Kaur, Chief Officer Corporate Solutions (Acting)

Saty.Kaur@midlothian.gov.uk

3 Background/Main Body of Report

- 3.1** The Scottish Government and the Convention of Scottish Local Authorities (COSLA - on behalf of local government) are inviting responses to the [consultation on a fairer council tax system](#), which concerns the council tax charges (also referred to as multipliers) for properties in valuation bands E to H.
- 3.2** The consultation lasts for 10 weeks (closing on 20th September). The consultation includes proposals to increase the council tax multiplier for Band E to H properties from 2024/25, with an option to phase any changes in over 2-3 years.
- 3.3** The Council received a briefing note for elected members (Appendix B) on 18 July 2023 which was circulated to all elected members.
- 3.4** Council Tax is a local tax, set and administered by each Local Authority, with the Band D rate set annually at budget setting. Council Tax is paid on domestic properties and is dependent on:
- The valuation band the property is in, and
 - The Band D tax rate set by the Local Authority.

Revenue achieved from Council Tax is retained fully by the Local Authority and does not form part of the Scottish Government's funding allocation to the Council.

- 3.5** The consultation paper is included as Appendix C. In summary, the consultation is seeking views on the relationship between the valuation band of the property and the tax rate set by the Council. The consultation questions are attached in the respondent information form (Appendix D).
- 3.6** Band D is set by Council annually; and the other bands (A-C and E-H) are proportions of the Band D rate. The proportions are known as multipliers and are set out in the 1992 Local Government Finance Act and are the same for all 32 Local Authorities. Council Tax multipliers can be amended by regulations, and this was carried out for the 2017/18 financial year, following the Commission on Local Tax Reform (Table 1).

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Council Tax band multiplier (Pre 2017)	0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00
Council Tax band multiplier (2017 onwards)	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45
% change in average bill	0.0%	0.0%	0.0%	0.0%	7.5%	12.5%	17.5%	22.5%

Table 1 – Council Tax band multipliers pre-2017 and post-2017 with % increases

3.7 Midlothian Council's Band D Council Tax for 2023/24 is £1514.73/year, as agreed by Council at it's budget setting meeting on 21 February 2023.

3.8 Table 2 shows the number of properties in each Council Tax Band as at 31 July 2023 and the associated Council Tax annual charge. Note that these numbers are subject to change by the time of Council Tax band setting for 2024/25 due to the ongoing social and private house building programmes in the County.

Council tax Band	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Total number of dwellings on valuation list	987	12708	11214	5913	5568	4515	2882	184
Annual charge (£)	1009.82	1178.13	1346.42	1514.73	1990.19	2461.44	2966.34	3711.08

Table 2 – Council Tax band annual charges and no of dwellings

3.9 The current in-year Council Tax collection rate as at end June 2023 is 27.8%. Table 3 shows the collection rate for the previous 6 financial years since the 2017/18 Council tax multiplier change was introduced.

Financial year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Collection rate (%)	95.1	95.1	95.1	94.2	94.2	94.5

Table 3 – Council Tax collection rates

3.10 The consultation proposes to repeat the 2017 changes resulting in an increase of 7.5%, 12.5%, 17.5% and 22.5% respectively for properties in Bands E-H.

3.11 Modelling

The consultation proposes that if changes were to take effect from 2024/25, increases could be introduced on a phased approach, with percentage year on year increases over multiple financial years. The example given in the consultation information is Band H increasing by 7.5% in 2024/25, then a further 7.5% in 2025/26 with the final 7.5% in 2026/27 to achieve the proposed 22.5%.

3.12 Applying the proposals in the consultation, the following projections have been made. It should be noted that the following assumptions apply:

- Band D Council Tax remains at 2023/24 levels - £1514.73
- Increase in properties in Midlothian is modelled in line with MTFS projections

	2024/25	2025/26	2026/27
<u>Projection using Dwellings at 1st August 2023</u>			
Projected Yield	£62,940,820	£62,940,820	£62,940,820
Projected Yield with increased multiplier	£64,133,133	£65,325,437	£66,517,741
Increased Council Tax Income	£1,192,312	£2,384,617	£3,576,921
<u>Projection using projected Dwellings per MTFS</u>			
Projected Yield	£64,547,389	£66,153,950	£67,760,511
Projected Yield with increased multiplier	£65,770,126	£68,660,290	£71,611,318
	£1,222,737	£2,506,339	£3,850,807

Table 4 – Projections

3.13 It should be noted that whilst Council Tax revenue generated remains within the Local Authority and does not form part of the Scottish Government's funding allocation to local government. However, Council Tax income assumptions do influence the calculation of the funding allocation, meaning that not revenue reflected above, if achieved, would be wholly additional to the Council.

3.14 The consultation closes on 20 September 2023. The consultation invites individual and organisational responses. All changes from the outcome of the consultation will require regulations to be agreed by Scottish Parliament. The consultation anticipates that these could be delivered in time for changes to take effect from the start of the 2024/25 financial year. It should be noted that if changes are agreed as the outcome of the consultation, the Local Authority must still consider its own Council Tax charges as part of its annual budget setting process.

4 **Report Implications (Resource, Digital and Risk)**

4.1 **Resource**

Any changes to Council Tax bands require to be made to billing and administration systems, as well as notification to residents in reasonable timeframes.

4.2 Digital

No additional implications

4.3 Risk

Increase to Council Tax may have a negative impact on household budgets. This may have a consequence on collection rates.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

No IIA has ben undertaken at this stage.

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications

Appendix B – COSLA briefing for Elected Members

Appendix C – Consultation paper

Appendix D – Respondent Information Form

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious
- None of the above

A.4 Delivering Best Value

Not applicable

A.5 Involving Communities and Other Stakeholders

Not applicable

A.6 Impact on Performance and Outcomes

Not applicable

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable