
NORTH AYRSHIRE COUNCIL

29 August 2023

Cabinet

Title: Council Tax Multipliers: Scottish Government Consultation

Purpose: To consider the Consultation response in respect of the review of the level of Council tax multipliers for Band E to Band H properties

Recommendation: Cabinet is asked to approve the Consultation response from North Ayrshire Council included in Appendix 1 and for this to be submitted to the Scottish Government by 20 September 2023.

1. Executive Summary

- 1.1 The Scottish Government and COSLA launched a joint consultation on a proposal to increase the level of increase (multipliers) in respect of Council tax band E to band H properties. This follows an agreement by COSLA leaders at the end of June 2023.
- 1.2 Included in appendix 1 is the draft response from North Ayrshire Council. The proposed changes would impact those properties in Council tax band E to band H.
- 1.3 Based on the current number of dwellings and the current levels of North Ayrshire Council tax this proposed change would impact 21% of properties across North Ayrshire and the annual increase would range from £143 (£2.75 per week) for a band E property to £800 (£15.39 per week) for a band H property.
- 1.4 Any increase in Council tax revenue would contribute towards the cost of providing vital Council services and this is set within the context of significant inflationary related cost increases contributing to a projected budget gap for the Council of over £16million in 2024/25.

2. Background

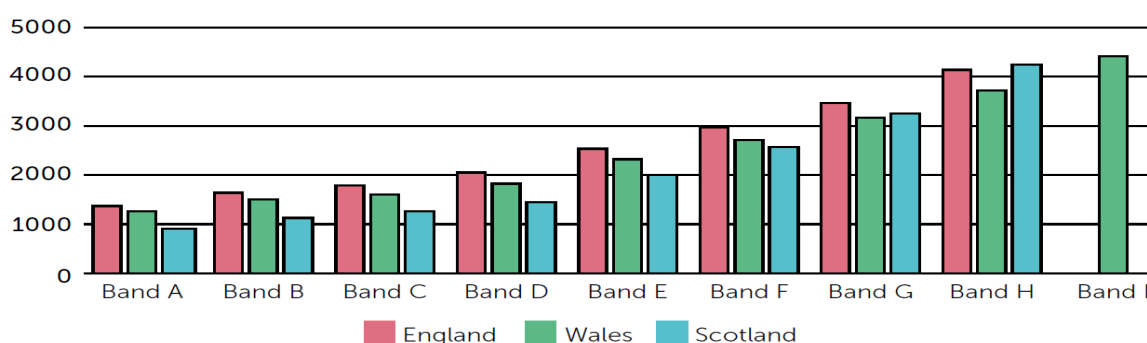
- 2.1 The Scottish Government and COSLA launched a joint consultation on a proposal to increase the level of increase (multipliers) in respect of Council tax band E to band H properties. This follows an agreement by COSLA leaders at the end of June 2023.
- 2.2 The proposal seeks views on a potential change to the current system of Council tax multipliers. Currently, Councils in Scotland set Council tax rates by determining the rate for a band D property, with charges for bands A to C and E to H then calculated as lower or higher proportions (multipliers) of the band D rate. The size of the

multipliers is determined by national legislation and applies across Scotland, with the last change occurring in 2017.

- 2.3 The current Council tax rates are based on property valuations undertaken in 1991. Lower value properties and therefore, those in the lowest income deciles, currently pay a proportionally higher level of Council tax when compared to the Council tax relating to properties of a higher value. To illustrate this point the Scottish Average Council tax charge for a band A property as a proportion of a mid-point band A property value represents a charge equating to 3.62% of the property value. When compared to the Scottish Average Council tax charge for a band H property as a proportion of a mid-point band H property value this represents a charge equating to 1.33% of the property value. In North Ayrshire Council, based on 2023/24 Council tax levels the proportion for a band A Council tax charge to property value currently sits at 4.03%, with band H 1.48%. If the proposed changes were applied to the Council tax charges then band H would increase to 1.82%.
- 2.4 The consultation proposes an increase to the multipliers affecting properties in band E to band H. When applied to current council tax rates in North Ayrshire the potential increases are set out in the undernoted table: -

Band	Current Charge £	Multiplier Increase	Potential Charge	Annual Increase £	Weekly Increase £
Band D	£1,452.12	-	£1,452.12	-	-
Band E	£1,907.92	7.5%	£2,051.03	£143.11	£2.75
Band F	£2,359.69	12.5%	£2,654.67	£294.98	£5.67
Band G	£2,843.73	17.5%	£3,341.40	£497.67	£9.57
Band H	£3,557.69	22.5%	£4,358.17	£800.48	£15.39

- 2.5 North Ayrshire has 70,217 dwellings which attract council tax. A total of 55,467 dwellings (79%) sits within council tax band A to band D, with 14,750 dwellings (21%) across band E to band H. Around 25% of households in North Ayrshire receive support from the Council Tax Reduction scheme and should the proposals be implemented, this scheme should be expanded to recognise the additional burden placed on households across the affected bands. Based on the current number of dwellings and the current levels of North Ayrshire Council tax this proposed change would impact 21% of properties across North Ayrshire and the annual increase would range from £143 (£2.75 per week) for a band E property to £800 (£15.39 per week) for a band H property.
- 2.6 Comparative council tax rates for England, Wales and Scotland for 2023/24 are included in the table below. The table reflects the proposals to increase the multipliers is implemented:-



For comparative purposes, if the consultation proposals were implemented, council tax rates for those in band A to band G would remain lower than the average charge in England, while the average charge for band D properties would remain significantly lower than in both England and Wales.

- 2.7 The consultation also considers whether any proposed changes should be introduced immediately or phased in over two or three years. This should be considered within the context of the financial challenges facing the Council, with an estimated budget gap of over £16million in 2024/25 which has been influenced by the significant impact of inflationary cost increases. Any increase in Council tax revenue would contribute towards the cost of providing vital Council services.
- 2.8 The potential additional revenue generated for North Ayrshire Council is estimated at £2.743million. It is vital that, should the proposals be implemented, any potential additional council tax revenue to local authorities is distributed to local authorities in an equitable way, recognising that some local authorities have a greater proportion of band E to band H properties than others. Any potential additional revenue should not be regarded as a substitute to the requirement for fair levels of grant funding from Scottish Government.

3. Proposals

- 3.1 Cabinet is asked to approve the Consultation response from North Ayrshire Council included in appendix 1 and for this to be submitted to the Scottish Government by 20 September 2023.

4. Implications/Socio-economic Duty

Financial

- 4.1 The proposals if implemented by Scottish Government could generate an additional £2.743million.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 This is a consultation response. The proposals, if implemented, would financially impact all households across band E to band H. This equates to 14,750 households across North Ayrshire.

Climate Change and Carbon

- 4.5 None.

Key Priorities

4.6 The consultation response aligns with the key priorities of a sustainable council, wellbeing and communities and local democracy.

Community Wealth Building

4.7 None.

5. Consultation

5.1 This is a national Scottish Government consultation launched on the 12 July 2023 and it is due to close on 20 September 2023. The consultation is open to all citizens and organisations.

Mark Boyd
Head of Service (Finance)

For further information please contact **Mark Boyd, Head of Finance**, on **01294 324560**.

Background Papers

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Appendix 1

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

North Ayrshire Council

Phone number

01294 324560

Address

North Ayrshire Council
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Postcode

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Email Address

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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

Appendix 1

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): **North Ayrshire**

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

Appendix 1

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?

This proposal provides greater parity with Council tax levels across England and Wales for Council tax bands E to G, whilst protecting Council tax bands A to D. The result of which would mean that bands E to G would generally still remain lower than comparative levels in England and Wales, with bands A to D remaining significantly lower. On balance these proposals reflect a fairer model of Council tax charging. In North Ayrshire the additional annual charges would range from £143 for band E (£2.75 per week) to £800 for band H (£15.39 per week). It is important to recognise the additional financial burden that any increase would have on families. Access to the Council Tax Reduction scheme would not be impacted by this change and would continue to offer means tested reductions of up to 100% to those households who meet the eligibility criteria.

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/ No/ Don't know

The current Council tax rates are based on property valuations undertaken in 1991. It is recognised that lower value properties and therefore, those in the lowest income deciles, currently pay a proportionally higher level of Council tax

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when compared to the Council tax relating to properties of a higher value. To illustrate this point the Scottish Average Council tax charge for a band A property as a proportion of a mid-point band A property value represents a charge equating to 3.62% of the property value. When compared to the Scottish Average Council tax charge for a band H property as a proportion of a mid-point band H property value this represents a charge equating to 1.33% of the property value. In North Ayrshire Council, based on 2023/24 Council tax levels the proportion for a band A Council tax charge to property value currently sits at 4.03%, with band H 1.48%. If the changes were applied to the Council tax charges then band H would increase to 1.82%.

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)

The recommendation is to apply the full effect from 2024-25. In North Ayrshire the additional annual charges would range from £143 for band E (£2.75 per week) to £800 for band H (£15.39 per week). This would provide additional revenue to fund vital council services, against a backdrop of significant inflationary costs.

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

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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?

The key point to note is that any increased Council tax revenue generated from this change will go towards funding vital Council services. This is set against a very challenging financial landscape faced by Councils across the country which has been impacted significantly through rising inflationary costs. Any overall additional revenue generated should not be a substitute to the need for fair levels of funding from Scottish Government. Across individual local authorities It is recognised that some local authorities have a greater proportion of higher band properties than others, therefore, it is recommended that the Scottish Government work with Scottish Council Directors of Finance through the Settlement and Distribution Group to ensure fairness and equity of revenue distribution across all local authorities.

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.

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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

In North Ayrshire, based on the current 2023/24 levels of Council tax the proposed increases would impact the Council tax payer as follows:-

	Current Charge 2023/24 £	% Increase	Potential Charge	Annual Increase £	Weekly Increase £
Band D	£1,452.12	-	£1,452.12	-	-
Band E	£1,907.92	7.5%	£2,051.03	£143.11	£2.75
Band F	£2,359.69	12.5%	£2,654.67	£294.98	£5.67
Band G	£2,843.73	17.5%	£3,341.40	£497.67	£9.57
Band H	£3,557.69	22.5%	£4,358.17	£800.48	£15.39

It is recognised that such increases will have an impact on household finances across the area. The Council supports an expanded Council Tax Reduction Scheme to help protect eligible low-income households living in Bands E to H from the increase in their bill caused by the increase in the multipliers.

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.

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Answer:

Please provide your views

Council Tax Band	Number of Dwellings	%	
A	21,793	31.0%	
B	18,657	26.6%	
C	7,693	11.0%	
D	7,324	10.4%	79.0%
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E	9,183	13.1%	
F	4,238	6.0%	
G	1,272	1.8%	
H	57	0.1%	21.0%
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	70,217	100.0%	100.0%

North Ayrshire is home to 134,220 residents (2.4% of Scotland's population) with around 70,000 dwellings for Council tax purposes. Based on the Scottish Index of Multiple Deprivation (SIMD) datazone statistics across Scotland, North Ayrshire has 186 data zones, of which 52 (30%) are in the 15% most deprived in Scotland. Within the Council Taxpayer base around 25% of Council Taxpayers are in receipt of Council Tax Reduction, with approximately 20% receiving the maximum 100% Council Tax reduction. In terms of property dwellings, 79% (55,467 dwellings) are categorised within Band A to Band D and will therefore not be affected by the proposed change to the multiplier, with 21% (14,750 dwellings) affected.

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.

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- 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

North Ayrshire has 2 Island communities. Arran and the Isle of Cumbrae within the North Coast locality. Based on recent Economic baseline analysis the working age population in the Isle of Cumbrae is 11% lower than the Scottish average (i.e. 53% versus 64% nationally) with the % share of the population over 65 years old sitting at 38% versus a national average of 19%. In terms of SIMD one of the 2 datazones relating to Cumbrae fall within the top 15% most deprived areas in Scotland. The majority of Council tax bandings fall within the Band A to Band D range and will therefore not be affected by this potential change. Cumbrae has 1,343 dwellings that attract council tax. A total of 1,221 (91%) of properties on the island fall within Band A to Band D and will therefore be unaffected, with 122 (9%) across the Band E to Band H range. The council supports an expansion of the council tax reduction scheme to provide further assistance to eligible households.

With regards to Arran, all but one of Arran's datazones rank above the median overall domain ranking and there is a much higher proportion of properties across the Band E to Band H range. Arran has a total of 3,174 dwellings which attract council tax. A total of 2,029 properties (64%) fall within the Band A to Band D range, with 1,145 properties (36%) across Bands E to H.

It is also important to consider the correlation between this Consultation response and that of the Council tax second home consultation. Both island communities have a high proportion of second homes. North Ayrshire Council supports the policy of having the powers to set any Council tax premium on second homes, however, the extent to which will require further detailed modelling of consequences and any unintended consequences. Therefore, any proposed increase in the level of Council tax multiplier would form part of further modelling and impact assessments in respect of the level of any potential Council tax premium related to second homes.

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

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No

Don't know

Please give reasons for your answer.

This change would impact around 14,750 households across North Ayrshire (21%). The consultation is open for citizens to express their views for the Scottish Government to consider. The council supports an expanded council tax reduction scheme to provide further support to those eligible households who require it.