

EAST RENFREWSHIRE COUNCIL13 SEPTEMBER 2023Report by Director of Business Operations and PartnershipsCOUNCIL TAX CONSULTATION**PURPOSE OF REPORT**

1. To provide an update on the current Scottish Government and COSLA Council Tax consultation, anticipated implications for East Renfrewshire Council and residents and agree the Council's response.

**RECOMMENDATIONS**

2. Council is asked to:
- a) Note the ongoing consultation on changes to Council Tax proposed by Scottish Government and COSLA and the expected impact for East Renfrewshire Council and residents;
  - b) Agree the Council's draft response to this consultation (Annex 1).

**BACKGROUND**

3. East Renfrewshire Council has a statutory duty, under the Local Government Finance Act 1992, to bill and collect Council Tax.

4. In 2023/24 £66.5m has been billed for collection from approximately 41,000 households. This income provides 18.3% of the funding required to run the Council, with the majority of remaining funding from the General Revenue Grant received from Scottish Government. In 2022/23 Council Tax collections were 97.55%, which is in the top quartile of performance in Scotland. The Council budget for a 98% collection rate, with debt pursued beyond the financial year end.

5. Council Tax is billed based on property band from A to H, from lowest to highest valued properties. Discounts and exemptions are applied which reduce the council tax bill where applicable. 4,400 low income households receive £4.4m of support with Council tax bills through Council Tax Reduction (CTR).

6. Collection of Council Tax over recent years has been challenging. Pre-pandemic East Renfrewshire ranked either 3<sup>rd</sup> or 4<sup>th</sup> in Scotland for collections, however during the pandemic that dropped to 6<sup>th</sup> and 9<sup>th</sup> in Scotland. Whilst all councils were impacted by the pandemic, the impact in East Renfrewshire was worsened by implementation of a new Council Tax and Benefits ICT system in December 2020. However, 2022/23 collections are now returning to pre-pandemic levels and Council Tax collection rates remain in the top quartile.

7. East Renfrewshire Council does all it can to assist its customers with their financial circumstances, through administration of the Scottish Welfare Fund (SWF) and referring customers onto the Council's Money Advice and Rights Team (MART). Customers may also seek support from the East Renfrewshire Citizens Advice Bureau (ERCAB). All teams have experienced a sharp increase in demand for their services in recent years, with a changing

dynamic due to customers who are working but still struggling to pay rent or mortgages and now requesting support. The SWF Team provide emergency support for those in crisis, while the MART team and CAB assist customers to maximise income and potentially reduce levels of arrears through forms of debt relief and budgeting support.

## REPORT

### Scottish Government & COSLA proposal

8. The current Council Tax system has been perceived by some stakeholders as unfair and regressive because it levies a higher tax rate on lower value properties, and a lower tax rate for higher value properties. The Scottish Government increased Council Tax Band E to H multipliers in 2017, to provide mitigation in this area.

9. A joint consultation between Scottish Government and COSLA, is currently seeking views on plans to increase the amount paid by households in the highest value properties, impacting properties in band E, F, G & H. This impacts 25% of Scottish properties, however in East Renfrewshire the impact is higher at 57% (23,000 households), as there are more properties locally in the higher bandings.

10. The consultation covers the following increases to Band E to H from 7.50% to 22.50%:

Description	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
% change in average bill	0.00%	0.00%	0.00%	0.00%	7.50%	12.50%	17.50%	22.50%
Average charge in Scotland after increases	£944	£1,102	£1,259	£1,417	£2,001	£2,590	£3,259	£4,251
England 2023-24	£1,377	£1,606	£1,836	£2,065	£2,524	£2,983	£3,442	£4,130

11. These proposals are based on implementing a fairer system which is more reflective of property values. It is estimated that an additional £176m of income would be generated across Scotland.

12. Council Tax in Scotland is currently 3 times the charge in band H compared to band A, with this proposal moving that to 4.5 times.

13. The consultation makes the comparison with England highlighting that Council Tax in Scotland remains below the band E to G charges, while band H would be higher in Scotland than in England. The band A to H proportion in England is 3 times.

### Impact on East Renfrewshire

14. The increase in Council Tax proposed for Band E to H would be as follows, based on 2023/24 charges:

Description	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
% change in average bill	0.00%	0.00%	0.00%	0.00%	7.50%	12.50%	17.50%	22.50%
Average charge in Scotland after increases	£944	£1,102	£1,259	£1,417	£2,001	£2,590	£3,259	£4,251
Average charge in East Renfrewshire after increases	£943	£1,101	£1,258	£1,415	£1,999	£2,587	£3,256	£4,247
Impact in East Renfrewshire	£0	£0	£0	£0	£139	£287	£485	£780

15. The implementation of the proposed change would provide additional funds to support public services. However, it would limit the Council's own local decision-making on future council tax increases, as band E to H properties would pay more due to this proposed change, and potentially more again should there be Council Tax increases agreed locally.

16. While East Renfrewshire would bill and collect additional Council Tax under this proposal, due to rules on funding, only a proportion of this would be retained for use in the local area (it is expected only 50% of the additional income would be retained in East Renfrewshire). Depending on how changes are phased in, this impact may not be apparent immediately. See Finance and Efficiency section below.

17. Within East Renfrewshire 13,000 (31%) of households are single persons, each receiving a 25% Council Tax discount. Within Band E to H, 5,000 (22%) of households are single persons. Based on the 2023/24 charges, the increase in Council Tax due to the proposed change for a single person in a Band E property would be £104 per annum, for a Band H property this would be £585 per annum.

18. The Council Tax Reduction scheme is a Scottish Government scheme which reduces Council Tax liability based on affordability and has been in place since 2013. Within East Renfrewshire 4,400 households (11%) receive this support, while there are 770 Band E to H households (3%) receiving this support.

19. Council Tax collection has been challenging in recent years, particularly impacted by the pandemic and the cost-of-living crisis. Experience during this period has shown that while property values have increased over time, incomes have not kept pace with this, and property value does not always indicate an ability to pay due to stretched household finances. Many increases in income have been negated by inflationary increases in pricing of daily goods and services. Increases in interest rates are having a detrimental impact on many mortgage holders, and there is potential for a reduction in property values due to stress on the housing market, although prices (and hence mortgages) in East Renfrewshire remain high. It is anticipated that if these proposed Council tax changes are implemented significantly above inflation rates, collection levels of Council Tax are likely to reduce and additional demand will be placed on already stretched council services, such as SWF and MART and colleagues in CAB.

20. MART and CAB teams are experiencing a shift in customer demographics, with the cost-of-living crisis reaching residents who would previously not have been in contact with advice services. This is reflected in increased demand from more affluent areas; comparing 2021/22 with 2022/23 there has been an increase of 33% in residents from Giffnock, and a 40% increase in residents from Newton Mearns. There has been a significant increase in residents from these areas seeking debt solutions of 204% (53 to 161). In addition, MART has seen a 28.5% increase in clients from working households in the past year, with the biggest increases from the traditionally affluent areas.

21. Both MART and CAB are concerned that a large increase in Council Tax, significantly above inflation rates, will be unsustainable for a large number of residents. The teams experience residents who are asset rich, but cash poor, particularly among pension age residents with a fixed income. Residents living in properties in higher bands are often struggling with costs. They are facing higher mortgage payments and utility charges. Advice Services support those who are retired, widows/widowers, and clients with long term health issues living in larger properties, who would struggle with a large increase. There are also families living in higher band properties where one of the partners cannot work due to health issues, or caring for family members and are on a tight budget.

22. As part of the Council's pandemic recovery work, it has sought to gain a better understanding of the financial vulnerability of local residents, this is distinct and separate from the traditional view of poverty.

23. The Council contracted a service that utilises aggregated customer banking data from a major banking group. This data indicates that the Eastwood side of the authority has higher than expected levels of financial vulnerability. This appears to be driven by several factors – including, the high population of children and families, and older residents.

24. Among families the data suggests that where households maximised the affordability of their mortgage, during low interest rates to move into the area, they are struggling with increased mortgage payments, fuel costs, compounded in some areas, by older properties with poor energy efficiency. These factors, together with high food and clothing inflation, are leading households into overdraft usage (increasing debt level and overall expense), high percentage levels of essential spend, and lower levels of disposable income. This data is being borne out on the ground with the shift in clients that MART and CAB are encountering.

25. There are cohorts of older residents who bought their properties prior to modern house price inflation. They are technically asset rich, but some are operating on a very low income. Despite not having mortgages, the size and energy efficiency of their properties, combined with wider inflation is leading to some having very low levels of disposable income over a rolling 4-5 week period.

26. £1.6m of Council Tax debt remains for 2022/23 Council Tax billing, which has not been collected and has reached summary warrant stage, with the Council's agents supporting collection. This is for around 3,000 households. Band E to H account for £0.5m (31%) of this debt, approximately 500 households.

27. There are significant levels of new build properties in East Renfrewshire. These properties are mostly banded from E to H, while similar older properties, which have not been revalued since 1991 and may have a higher market value, can still be banded C or D. The proposed change would disproportionately impact householders of new build properties within the area.

## **FINANCE AND EFFICIENCY**

28. The Scottish Government proposed changes to Band E to H council tax charges are expected to bring an additional £176m of Council Tax income within Scotland. Additional billed and collected income for East Renfrewshire (assuming a 98% collection level) is estimated to be £6.5m. It is anticipated that East Renfrewshire would retain £3.3m of this (around 50%), with the remainder redistributed to other councils via the General Revenue Grant distribution methodology.

## **CONSULTATION & PARTNERSHIP WORKING**

29. Consultation with Money Advice & Rights Team, East Renfrewshire Citizens Advice Bureau, Legal and Accountancy has taken place and with the NEC system supplier externally.

## **IMPLICATIONS OF THE PROPOSALS**

30. An Equality Fairness and Rights Impact Assessment (EFRIA) has been undertaken and identified some impacts in relation to socio-economic disadvantage under the Fairer Scotland Duty. Residents experiencing socio-economic disadvantage may see this worsened

through additional Council Tax charges, especially where this is significantly above rates of inflation. This can be mitigated to some extent, through application of Council Tax Reduction where applicable, invitation to contact MART/CAB for support and introduction of data analytics to allow early engagement and intervention.

31. As will be the case across Scotland, these proposals would require changes to the Revenues & Benefits ICT System used to administer Council Tax. Changes of this nature usually require a 6 month lead in time by the system's supplier, to allow the change to be properly developed, tested and implemented with workload balanced across their client councils who will all be competing for the same supplier resource. There are concerns that given the consultation is due to end 20<sup>th</sup> September, it will take time for regulations to be finalised, and there may be insufficient time to deliver this for 2024/25 Council Tax billing.

## CONCLUSIONS

32. While the proposed changes to Council Tax are expected to deliver additional income to fund council services, the additional income is not anticipated to fully benefit local residents and services within East Renfrewshire. Local decision making on Council Tax levels is likely to be impacted, as are customers already struggling to pay Council Tax bills. Reduced levels of Council Tax collection are anticipated and additional demand for support from council and external services is expected.

## RECOMMENDATIONS

33. Council is asked to:

- a) Note the ongoing consultation on changes to Council Tax proposed by Scottish Government and COSLA and the expected impact for East Renfrewshire Council and residents;
- b) Agree the Council's draft response to this consultation (Annex 1).

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## PROPOSED DRAFT RESPONSE

**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.**

It does not necessarily equate that residents in the higher banded properties have higher levels of disposable income. Many of these households will be on a fixed budget and the increase will cause them financial difficulty.

Experience within East Renfrewshire has been that Council Tax collection has been challenging in recent years, particularly impacted by the pandemic and the cost-of-living crisis. While property values have increased over time, incomes have not kept pace with this, and property value does not always indicate an ability to pay due to stretched household finances. Many increases in income have been negated by inflationary increases in pricing of daily goods and services. Increases in interest rates are having a detrimental impact on many mortgage holders, and there is potential for a reduction in property values due to stress on the housing market, although prices (and hence mortgages) in East Renfrewshire remain high. It is anticipated that if these proposed Council tax changes are implemented significantly above inflation levels then collection levels of Council Tax are likely to reduce and additional demand will be placed on already stretched council services, such as Scottish Welfare Fund (SWF), Money Advice and Rights Team (MART) and colleagues in Citizens Advice Bureau (CAB).

MART and CAB teams are experiencing a shift in customer demographics, with the cost-of-living crisis reaching residents who would previously not have been in contact with advice services. This is reflected in increased demand from more affluent areas; comparing 2021/22 with 2022/23 there has been an increase of 33% in residents from Giffnock, and a 40% increase in residents from Newton Mearns. There has been a significant increase in residents from these areas seeking debt solutions of 204% (53 to 161). In addition, MART has seen a 28.5% increase in clients from working households in the past year, with the biggest increases from the traditionally affluent areas.

Both MART and CAB are concerned that a large increase in Council Tax will be unsustainable for a large number of residents. The teams experience residents who are asset rich, but cash poor, particularly among pension age residents with a fixed income. Residents living in properties in higher bands are often struggling with costs. They are facing higher mortgage payments and utility charges. Advice Services support those who are retired, widows/widowers, and clients with long term health issues living in larger properties, who would struggle with a large increase. There are also families living in higher band properties where one of the partners cannot work due to health issues, or caring for family members and are on a tight budget.

Financial vulnerability data shows that among families the data suggests that where households maximised the affordability of their mortgage, during low interest rates to move into the area, they are struggling with increased mortgage payments, fuel costs, compounded in some areas, by older properties with poor energy efficiency. These factors, together with high food and clothing inflation, are leading households into overdraft usage (increasing debt level and overall expense), high percentage levels of essential spend, and lower levels of

disposable income. This data is being borne out on the ground with the shift in clients that MART and CAB are encountering.

There are cohorts of older residents who bought their properties prior to modern house price inflation. They are technically asset rich, but some are operating on a very low income. Despite not having mortgages, the size and energy efficiency of their properties, combined with wider inflation is leading to some having very low levels of disposable income over a rolling 4-5 week period.

**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

**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

If you answered Other above please state your reasons.

As will be the case across Scotland, these proposals would require changes to the Revenues & Benefits ICT System used to administer Council Tax. Changes of this nature usually require a 6 month lead in time by the system's supplier, to allow the change to be properly developed, tested and implemented with workload balanced across their client councils who will all be competing for the same supplier resource. There are concerns that given the consultation is due to end 20th September, it will take time for regulations to be finalised, and there may be insufficient time to deliver this for 2024/25 Council Tax billing.

If the increase is going ahead, we would recommend it is implemented from April 2025, and over a 2 to 3 year period, 25-26, 26-27 and 27-28. It is a very tight timescale to do this for April 2024 and customers may be in better financial position from April 2025 and beyond.

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

Yes  No  Don't know

**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.**



**Please provide your views.**

As highlighted in the response to question 1, as well as wider Council services, it is expected there will be increased demand for Money Advice and Citizen Advice services. The impact on residents could be that their financial circumstances are worsened by the change in band ratios.

The Council Tax Reduction (CTR) scheme is a Scottish Government scheme which reduces Council Tax liability based on affordability and has been in place since 2013. Within East Renfrewshire 4,400 households (11%) receive this support, while there are 770 Band E to H households (3%) receiving this support. If CTR levels are increased due to the higher levels of charge in the higher banded properties for those in lower incomes there will be a shortfall in the funding available for CTR which will adversely impact service delivery in other areas.

While East Renfrewshire would bill and collect additional Council Tax under this proposal, due to rules on funding, only a proportion of this would be retained for use in the local area (it is expected only 50% of the additional income would be retained in East Renfrewshire). Depending on how changes are phased in, this impact may not be apparent immediately.

Within East Renfrewshire 13,000 (31%) of households are single persons, each receiving a 25% Council Tax discount. Within Band E to H, 5,000 (22%) of households are single persons. Based on the 2023/24 charges, the increase in Council Tax due to the proposed change for a single person in a Band E property would be £104 per annum, for a Band H property this would be £585 per annum.

**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).**

**Please provide your views.**

The implementation of the proposed change would provide additional funds to support public services. However, it would limit the Council's own local decision-making on future council tax increases, as band E to H properties would pay more due to this proposed change, and potentially more again should there be Council Tax increases agreed locally.

There are significant levels of new build properties in East Renfrewshire. These properties are mostly banded from E to H, while similar older properties, which have not been revalued since 1991 and may have a higher market value, can still be banded C or D. The proposed change would disproportionately impact householders of new build properties within the area. Should residents wish to downsize their property due to changed circumstances, it is not always viable to move to smaller accommodation as the property bands for newer property, even the smaller ones are higher.

**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.**

**Please provide your views.**

No comment

**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?**

Yes  No  Don't know

**Please give reasons for your answer.**

There will be a financial impact to those in Bands E- H however, this impact will not necessarily be equitable, as property value & disposable income are not intrinsically linked. The increased Council tax levels reduce the ability for residents to make spending decisions which may impact their wellbeing.

The impact will be more severe on residents who currently live alone, which include single parent families and the elderly and as highlighted in question 1 the impact for some families, whose finances are already stretched, could result in increased poverty for them and their children.