

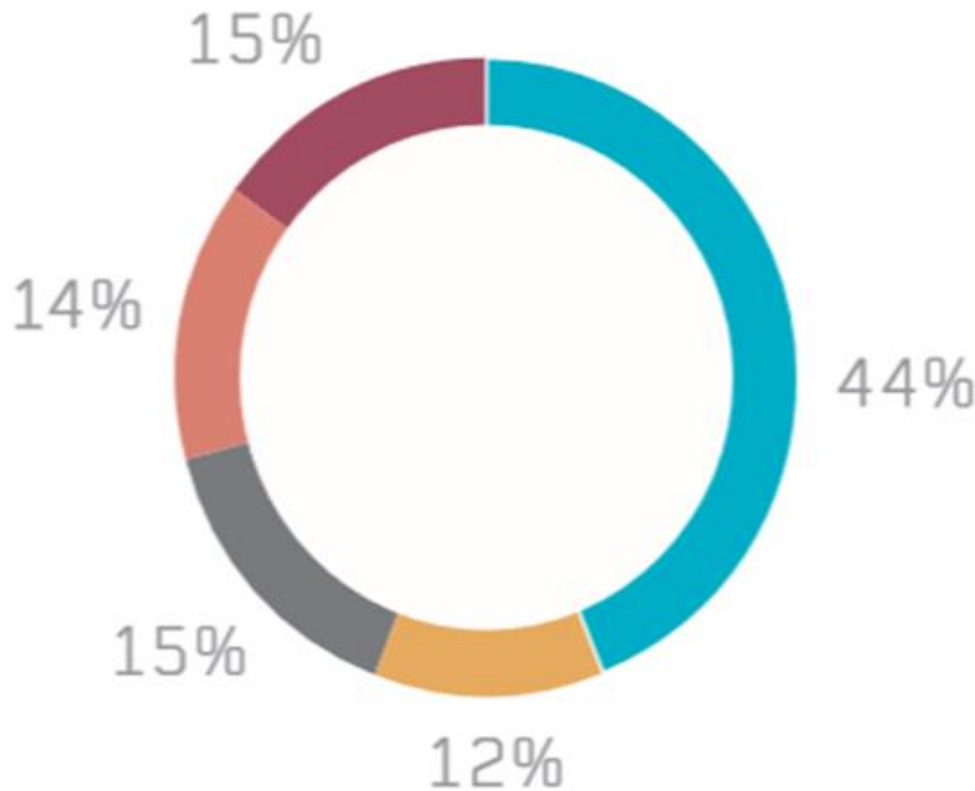
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Local Government Funding

Revenue Funding	2016-17	2017-18
	£ million	£ million
General Revenue Grant	6,848	6,762
Non Domestic Rate Income	2,768	2,665
Specific Revenue Grants	91	211
Total Revenue	9,612	9,527
Capital Funding	607	786
Total Funding	10,314	10,425

LOCAL GOVERNMENT REVENUE INCOME BY SOURCE












Council Tax accounted for **12%** of total local government revenue income in 2013/14

2013-14

■ General Revenue Grant	£7,225,000,000
■ Council Tax	£1,981,000,000
■ Non Domestic Rates	£2,435,000,000
■ Customer and Client Receipts	£2,327,000,000
■ Other Income	£2,513,000,000

Total revenue income
£16,481,000,000

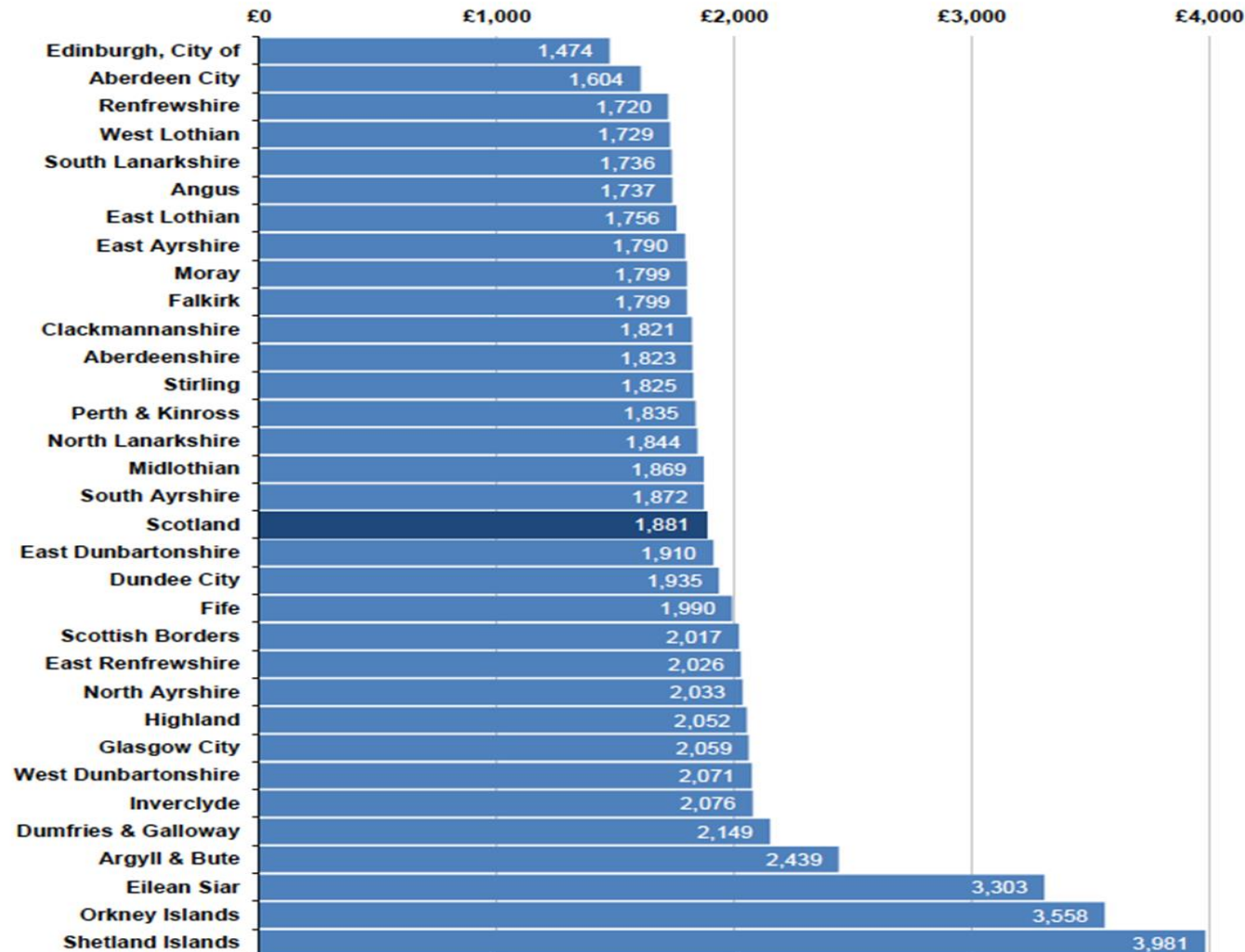
WHAT DOES COUNCIL TAX FUND?

	EDUCATION	33%
	CULTURAL & RELATED SERVICES	5%
	SOCIAL WORK	27%
	ROADS & TRANSPORT	5%
	ENVIRONMENTAL SERVICES	6%
	PLANNING & ECONOMIC DEVELOPMENT	3%
	CENTRAL SERVICES	5%
	NON-HRA HOUSING	16%
	TRADING SERVICES	<1%

Equalisation

- Distribution of General Revenue Grant between 32 Local Authorities
- Formula Based
- Takes account of list of factors – population, deprivation, rurality and
- Each Local Authority's domestic property tax base

Net Revenue Expenditure per Head Population by Local Authority, 2015-16



Tax on Business Properties

- Business Rates or Non Domestic Rates or NDR
- Rates in some form date back to 1600s. Non-domestic rates (NDR) continued – broadly comparable between Scotland & England.
- NDR taxes a property's rental value, as determined at periodic revaluations (latest in 2017), by independent Assessors appointed by councils. Ratepayers can appeal valuations via independent legal processes.
- Exempt property includes agriculture, offshore installations, public roads.
- SG sets a national poundage (p in the £) and a 'large business supplement', and funds reliefs such as empty property, charity and Small Business Bonus.
- Councils are responsible for billing & collection, with powers under Community Empowerment Act to apply (and fund) further reductions .

Tax on Domestic Properties



Council Tax- what it is

- Comprises both property and personal elements:
 - Charge based on the relative value of residential property;
 - Discounts for some households to reflect personal circumstances.
- Dwellings split into 8 Council Tax bands (A to H) based on market value as at 1st April 1991.
- Responsibility for setting council tax levels rests with each Council who set Band D charge (Scottish average presently £1173)
- Tax had been frozen for 9 years and increases currently capped at 3% (by political agreement)
- Collected by Local Government.
- Means tested schedule of Reductions to Household Liabilities

Council Tax in Scotland

	Charges as a proportion of Band D charge	Proportion of Properties	Av. Tax 2017/18
A	0.67	21%	£782
B	0.78	23%	£912
C	0.89	16%	£1043
D	1	13%	£1173
E	1.31 (+7.5%)	13%	£1541
F	1.63 (+12.5%)	8%	£1906
G	1.96 (+17.5%)	5%	£2297
H	2.45 (+22.5%)	1%	£2874

Council Tax

- **Reach** – c.£2 billion paid by c.2.4 million households
- **Visibility** - people have to physically make the effort to pay rather than it being withheld from pay or included in a transaction
- **Difficult to evade or avoid**- collection rates >96% -
Income Tax PAYE 98.5%, self assessment 80.1%
- **Low cost to collect**: <2% of receipts. Income tax PAYE 0.7%, 4.5% for Self Assessment
- **Stable/predictable receipts** – compared to pro-cyclical income and consumption taxes

...some thoughts

- Is local tax to support local democracy, with different tax rates and levels of service offered to the electorate?
- Local accountability vs. administrative efficiency or 32 local tax systems vs. 1 national tax system.
- Equity between different areas with different abilities to raise tax revenues - equalisation
- Can individual local authorities manage revenue risks of different taxes or is devolution of risk (alongside opportunity) an objective?
- Change to the balance of funding for local government could impact upon capacity of Scottish Government to deliver national priorities?
- Tax competition between local authorities?

