



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Local Government, Housing and Planning Committee

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Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE

6th Meeting 2025, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Meghan Gallacher (Central Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Fulton MacGregor (Coatbridge and Chryston) (SNP)

*Emma Roddick (Highlands and Islands) (SNP)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Matthew Evans (Institute of Revenues, Rating and Valuation)

Paul Ferguson (Institute of Revenues, Rating and Valuation)

Lisa Hayward (Welsh Local Government Association)

Heather Honeyman (Scottish Assessors Association)

Brian Rout (Scottish Assessors Association)

CLERK TO THE COMMITTEE

Jenny Mouncer

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 25 February 2025

[The Convener opened the meeting at 10:02]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning and welcome to the sixth meeting in 2025 of the Local Government, Housing and Planning committee. I remind all members and witnesses to ensure that their devices are on silent. We have received apologies from Mark Griffin MSP.

The first item on our agenda is a decision on whether to take in private items 4, 5 and 6. Do members agree to do so?

Members indicated agreement.

Council Tax

10:02

The Convener: The next item on our agenda is to take evidence as part of our inquiry into the council tax system in Scotland. I welcome our witnesses to the meeting. We have around 90 minutes for this discussion and a lot to cover, so I would be grateful if we could keep questions and answers succinct.

For this item, we are joined in the room by Paul Ferguson, who is a senior service manager for housing at Falkirk Council and a member of the Scottish executive of the Institute of Revenues, Rating and Valuation—otherwise known as IRRV; Heather Honeyman, who is assessor for Fife Council and president of the Scottish Assessors Association; and Brian Rout, who is assessor for Scottish Borders Council and secretary of the Scottish Assessors Association.

We are joined online by Matthew Evans, who is head of service in revenue and benefits at Wrexham Council and president of the Institute of Revenues, Rating and Valuation's Wales association, and Lisa Hayward, who is finance policy officer for revenues and benefits at the Welsh Local Government Association.

We turn to questions from members. We will try to direct our questions to a specific witness in the first instance, but if you would like to come in, please indicate that to me or the clerks; Matthew and Lisa, please do that by typing R in the chat function. There is no need for you to operate your microphones, as we will do that for you.

I will start. The first area of questioning is the experiences of revaluation in Wales and the lack of revaluation in Scotland. Paul Ferguson, I will cue you up initially, and will bring in the folks from Wales later.

The 2015 commission on local tax reform was a major piece of work, involving consultation, research and cross-party engagement. I would be interested to understand from your perspective why, ultimately, it failed to lead to any significant changes.

Paul Ferguson (Institute of Revenues, Rating and Valuation): I think that the reason for that is purely political. The report was thorough, well researched and well evidenced. At that time, in 2016, some income tax powers were being devolved to Scotland. I cannot say why the reform did not happen, but I think that at that point there was a lack of political consensus to allow it to happen. There were no research issues that prevented it—it was down to just that political aspect.

The Convener: No one else is jumping in, so I take it that there is agreement on that.

Further to that question, how can the recently announced engagement process in Scotland lead to anything different? How are we going to get there?

Paul Ferguson: From what I am hearing and seeing, it appears that we have now ruled out many alternatives and are focused on the principle of reforming council tax and doing the revaluation. In the absence of alternatives, if that is what we are left with, we can surely get the consensus that we sought before.

Engagement with the public is crucial, but this is about what we are offering to the public. What is council tax? What is it for? What is the purpose of the review and revaluation? As long as the messaging is clear, I do not see why that reform cannot be part of all political parties' manifestos for 2026.

The Convener: Does anyone else have any thoughts on how we can achieve something through the latest engagement process?

Heather Honeyman (Scottish Assessors Association): The view of the SAA is that it is a matter for the politicians and we would implement whatever system was put in place.

The Convener: I turn to our Welsh colleagues. I am interested in understanding why revaluation and reform of council tax has been such a priority for the Welsh Government when it has not been so in Scotland or England.

Lisa Hayward (Welsh Local Government Association): That has been a priority through the previous Senedd's term, as well as the current Senedd's term, to address the fact that council tax seems, by its very nature, to be unfair. The message was about making council tax fairer. It seems to be highly regressive at the bottom of the scale and is not deemed to be a progressive tax at all.

Since 2016, which was the start of the previous Senedd term, there has been a commitment to look at the whole situation that surrounds council tax, including revaluation as well as the wider issues of discounts, disregards and exemptions. You cannot take one element of something like local taxation in isolation, because it has an impact right across the board. That is a key focus of the current Senedd and Government, and was in the previous term. The emphasis has been on looking at the whole process and making council tax fairer across Wales.

I appreciate that that work started in 2016 and we are now in 2025, so it is not a quick process, but there has been a lot of engagement, research, fact finding, public consultation and public

engagement. It has taken an awfully long time to get even to where we are at this moment. You might be aware that we were due to have a revaluation that would have been effective from April 2025, but it has been deferred to April 2028.

The Convener: I hear that there has been a long-term commitment to carry that out, and that the unfair nature of the tax is what has been driving that work. I am also hearing that it has taken a long time to engage and bring people along in the process.

Lisa Hayward: Yes—absolutely. If we look at the ratios, council tax seems to be more regressive at the bottom bands compared with what people pay as they get into the higher bands. We slightly improved that in Wales when we did the revaluation in 2005 and added a band at the top for higher-value properties, so it looks slightly fairer on the face of it. It is about getting the message across and making sure that everybody understands that, on a tax basis, even the 2022 information is out of date now, so it is not fair.

The Welsh Government has undertaken an awful lot of work, such as public user groups and focus groups, to understand public knowledge around council tax. As you can imagine, that does not necessarily give us what we would expect. People understand, to a degree, that council tax is a tax on their property, but they do not understand how it is calculated, what it contributes to it or how it fits into overall taxation and local government finance.

The Convener: Thanks. That is certainly the situation here.

Paul, again, I will direct this next question to you, but Heather and Brian might want to come in, as well.

Writing as far back as 2003, the Welsh Government stated:

"the use of the 1991 property value seems incongruous in light of changes within the housing market in Wales since 1991."

We also heard that point being made in what Lisa said. What are the most obvious changes in the Scottish housing market since 1991 that you are aware of?

Paul Ferguson: I am not sure that I am the right person to answer that question, but I will say that research suggests that, at a global level, our movement has been very similar to that in Wales. However, the issue, which was raised last week at this committee, is that there are pockets where that growth has been much more exponential than it has in other areas. Under revaluation those areas, which are predominantly in the east of Scotland, would see the largest increases.

There is no doubt that 1991 values are not a good basis for a tax in 2025, but we must recognise that to get us to the place where we want to be, we need to do two things: we need to do the revaluation to create the appropriate bands that remove regression, and we need to ensure that the revaluation is enshrined in law, so that it is repeated on an appropriate cycle in order to prevent the issue from arising again.

Heather Honeyman: The only thing that I will say is that having everything valued at 1991 values provides a common footing. The relationship between properties and values in different areas at that date is exactly the same for everybody. If there were to be a revaluation, that would redistribute values around areas but, again, there would be a common footing. It would probably involve more relatable values as well—some people who are now paying council tax were not even born 32 years ago, so it would allow people to perhaps relate to valuations better.

Brian Rout (Scottish Assessors Association): My experience is that, in 1991, we were seeing more demand for modern properties than for traditional stone-built properties with period characteristics. People are now wanting traditional properties, so there has been a change in the market. Those older traditional-style properties with period features are invariably now in lower bands. We need to see how the market has changed. As Heather said, revaluation is key to rebalancing the whole banding system in order to get properties back to a relative position.

The Convener: Thanks very much. I will move on and bring in Willie Coffey, who has a number of questions.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, everybody. My questions are, initially, for our Welsh colleagues, but I would value a response from our Scottish colleagues to look ahead to see what the potential impact for Scotland might be.

The information that we have about the revaluation impact in Wales seems to suggest that authorities such as Monmouthshire County Council could see 40 per cent of households moving up a band in your system. In Wrexham, where Matt is from, it could be 11 per cent. Can our Welsh colleagues offer an explanation to the committee as to why such changes would occur in the system that you have adopted?

Lisa Hayward: I am happy to start; Matthew can then come in and give the Wrexham perspective.

If we go back to 2005 then look at the draft figures that we had pending a 2025 revaluation, we see significant movement in some areas. The Welsh Government was quite clear that we could

not take new property values and drop them into the existing bandings. We had to look at the property base as a whole and do a complete reset, by looking at the bands and at the ratios because, naturally, there has been a huge property change since 2005 and our previous revaluation. Even in the past 10 years, there has been significant change, especially post-pandemic. You could not just revalue and expect to drop values into the existing boxes: they would have to be completely rewritten by looking at the bands and at the ratios.

We considered adding bands on either end to properly reflect the property market. In 2005, we added a band for properties that were valued at £424,000 and up: 20-odd years ago, those were extremely expensive properties. Unfortunately, now, I dare say that they are not considered to be expensive—you understand where I am coming from—and that is quite an acceptable price in many areas. With a revaluation, you have to look at all the bands and ratios, because otherwise everybody will just be moving up.

10:15

I note your comment on areas like Monmouthshire, which is typically perceived as being among the more affluent authorities in Wales. However, when we started looking at data from the Valuation Office Agency, we saw that those are areas that have high levels of properties in bands A and B and where values are also moving significantly. Such properties could still be in a revised band A. However, there has been a huge shift right across the property market in Wales, which I am sure would be reflected in Scotland.

Matthew Evans can give a more eloquent answer on how that has affected Wrexham.

Matthew Evans (Institute of Revenues, Rating and Valuation): In the original revaluation in 2005, Wrexham, Conwy, Flintshire and Cardiff saw significant increases in property values. In the work that has been done recently, 20 years later, those were among the areas that have had smaller increases since the previous revaluation because of the growth in property values outside those areas. Some areas where revaluation had little impact in 2005 have seen greater growth.

In Wales, Monmouthshire and the Vale of Glamorgan have been seen as outliers due to their having experienced significant increases in property values. Those areas are seen as being more affluent because of their property markets, and the Vale of Glamorgan is seen as being more affluent because of its comparative location next to Cardiff.

In 2005, the average value of a property in Wales was £82,000, and 20 years later, the figure

is £215,000. That is a huge increase. In areas like Monmouth and the Vale of Glamorgan—I am using those areas as examples of outliers—there has been significantly greater demand for properties, which is why the values have increased beyond those in other areas in Wales.

Willie Coffey: Thank you for those answers. Do our Scottish colleagues anticipate a similar pattern occurring in Scotland? If there was to be a revaluation here, would we see examples like that, where 40 per cent of households in a particular authority could jump up a band?

Heather Honeyman: To be honest, we cannot really answer that question at this point. We need to go away and look at some data in order to come back with a proper accurate answer.

However, after the passage of 32 years, we are now looking at a very different property market. Obviously, as our Welsh colleagues have highlighted, the lowest band goes up to values of £27,000. There might have been quite a lot of properties valued up to £27,000 in 1991, but what sells for £27,000 now? The top band was for values of over £212,000.

To go back to what we said earlier, I note that it is about putting the matter in context. We will not know until we look at the data, but at the moment we have not had a need to look at it. There will clearly be areas that have seen significant increases and there will potentially be areas where values are a bit flatter, but there is likely to be a significant shift in values.

Brian Rout: It is difficult to draw a comparison with Wales, given that the last revaluation there was in 2005. We have obviously not had a revaluation in Scotland yet—we are now at 34 years since the valuation date and 32 years since the council tax came in. As has been mentioned, there has also been the pandemic since then.

As Heather Honeyman stated clearly, we will not know what the impact will be until we look at the data. However, we would certainly expect there to be changes in valuation between different areas of Scotland, such as between the east of Scotland and the west, as was referenced in a previous committee meeting. We do not yet know that from the data, but the hunch is that that would be the case.

Heather Honeyman: To add to what Brian just said, it also depends on when we value. There would need to be a lead-in time for a revaluation, which—depending on the date on which the revaluation would be carried out and when it would come into force—would also clearly impact on values.

Willie Coffey: Thank you for that.

I will go back to my Welsh colleagues. How has Wales solved the problem of people being asset rich because of the value of their property and their ability to pay being based on their income? It has certainly been talked about in Scotland for many years, and has emerged again at the committee in recent weeks. How did Wales deal with that issue?

Lisa Hayward: In 2005, we had what was then the council tax benefit scheme, which was funded through central Government. People could apply for a reduction in their bill, based on their income. A means test was carried out, and the bill was reduced accordingly. Post 2012, council tax benefit was abolished. We also have our Welsh council tax reduction scheme, which I believe operates in a similar way to the scheme in Scotland.

We have a fully funded support scheme. Unlike what happens in some English authorities, where some people have at least to make a contribution to their council tax bill, in our support scheme, when someone's income is below a threshold, they can receive full support. Their bill is reduced to zero or is on a reducing scale. Our scheme means that everyone who is liable to pay council tax can apply to the council tax reduction scheme. Of course, it will address only a small percentage, and the argument about what is perceived as being asset rich and cash poor is frequently passed back to us.

You might be aware that, as part of our look at council tax, we looked at the single person discount, which is the automatic 25 per cent discount for an adult who lives alone. There was a lot of media attention around that and how it is predominantly claimed by older people—possibly widows or widowers who remain in the family household. There are no plans to remove that 25 per cent discount, because it was perceived that it would just move a bigger tax burden on to those people.

Through our engagement, we have been trying to say that we have a support mechanism in place. However, with any means-tested support scheme, there is still a cliff edge relating to those who qualify for support and those who do not. It is also difficult to say accurately how many people could be affected when we do not have up-to-date property values to base the tax on.

Willie Coffey: Is any particular discretion afforded to pensioner households in Wales who draw their only income from their pension, or is it all contained within the rebate scheme?

Lisa Hayward: Yes, it is all contained. Unlike in England, we treat all working-age and pension-age households equitably. Income is assessed, so someone who is entitled to full support will receive

full support. Matthew Evans has just indicated that he wants to come in on this.

Matthew Evans: Lisa Hayward has already alluded to the council tax reduction scheme, which has, in some cases, helped with a sort of more refreshed value. A lot of suggestions are made that the council tax is regressive. In reality, operationally there are only a few isolated examples of inability to pay, and we look at helping individuals through the section 13A scheme where we can, but those are probably isolated incidents. There are many suggestions that it is an issue but, on an operational basis, we have yet to see it as a day-to-day occurrence. The support scheme exists and tends to address the majority of cases. I cannot elaborate much on that. The support scheme is there.

On discounts, during previous consultations, views on the single-person discount were mixed. It is a fundamental part of the tax base and it is one of the things that changed when the community charge changed to the council tax. There needs to be a discount scheme that is not means tested. We could look at means testing in the future, but that would add complexity and cost, so I would prefer to move away from that idea.

Willie Coffey: I have another question for my Scottish colleagues. If Scotland does a revaluation and adopts a system that is based on property value and property values are much higher, would that put additional pressure on our rebate scheme? Would it be effective? Would it mean giving more rebates if the process were to go along the lines used by our Welsh colleagues?

Paul Ferguson: First, I want to go back to 2005 and compare Scotland with Wales. In 2005, Wales got a ninth band—band I. In 2017, however, Scotland changed its ratios, as a result of which our band H now pays more than the Welsh band I: we pay 2.45 times our band D and the Welsh pay 2.33 times their band D. All our band E, F, G and H properties already pay more than their Welsh equivalents.

The council tax reduction scheme offers protection to those on the very lowest incomes, but it is quite restricted in nature. The Burt review back in 2005 or 2006 suggested a couple of changes, one of which was to allow a higher capital threshold before people were excluded from the scheme. It was not that capital would not be taken into account as a notional value for income—it was more that it would not exclude them from the scheme. At the time, the review suggested a threshold of £50,000, and we are still sitting at £16,000 as the absolute threshold. That has to be considered.

I think that the council tax reduction scheme in Scotland could be expanded and made more

generous. The numbers in receipt of it have reduced from about 550,000 back in 2015, when the commission for local tax reform was discussing the issue, to 450,000. If we halved the taper, we could go back up to a similar level of support, ensuring that more people would be included and, more important for me, protected from future increases in the charge. Once they are on the scheme, their payment is absolute, and they do not pay any increases applied by local authorities.

Willie Coffey: Thank you for that, Paul. My next question, which is for our Welsh colleagues, is on the impact on local government revenue grants of different income coming to authorities as a result of revaluation. Were there winners and losers among Welsh local authorities with regard to the income that they took from the new council tax system, and were adjustments made to the revenue settlement for local councils in Wales to try to reflect that and rebalance things?

Matthew Evans: When we did the original revaluation in 2005, it was said at the time that it would be revenue neutral. When we had the revised council tax bases, the revenue support grant was reallocated, which meant, in effect, that if your tax base had increased substantially, your RSG would be adjusted, too.

In our more recent look at revaluation, the same principle was applied. I think that that went out to consultation, and there were—dare I say it?—mixed views among the local authority community in terms of what was better; an increase in the revenue support grant or the certainty of council tax income. However, we carried out that consultation in 2023 during a period of incredibly high inflation and it was all about trying to balance those two pressures. I do not think that that message was explained as clearly as it needed to be to get people to understand it, and perhaps more work will be needed to bring people, certainly those from the local authority community, on board in that respect.

Willie Coffey: Lisa, do you want to add anything?

Lisa Hayward: I absolutely echo what Matthew Evans said. During the recent consultation, we had, as you did, a lot of information that has been published by the Institute for Fiscal Studies, looking at potential ways of distributing the revenue support grant, and I and my colleague in the WLGA did a lot of work at local authority level, speaking to individual authorities that had concerns about the potential impact.

As Matthew Evans has noted, concerns were expressed by some authorities that, although they could benefit quite significantly from revaluation, it might make them overreliant on the revenue

support grant, but they would not necessarily know that as they moved into the future. It became quite apparent that, when we move to the next stage—and we know that we are going to have a revaluation in 2028—we will need to do a lot more exploratory work on the impact on the RSG and the effect on individual councils. Naturally, there was huge concern about the issue and whether, as Matthew mentioned, it would be a case of relying on the revenue support grant or relying on your own local income that you generate.

We have learned from all the information that we received from the last consultation and from our engagements with local authorities and all their elected members and leaders, but when we get the new data from the Welsh Government and the Valuation Office Agency to start preparations for 2028, we will need to do a lot more work on what it will mean in fiscal terms for each local authority, given those concerns. As Heather Honeyman said in answer to the previous question, it is perhaps a case of our not knowing until we start to get some of the data back. However, we have learned from experience that we need to dig into the individual impacts at local authority level.

Willie Coffey: My final question is for our Scottish colleagues. Do you anticipate a similar set of circumstances occurring here, where some Scottish authorities might lose out and some might gain significantly, and that there would be a rebalancing in the revenue support grant for councils to take that into account? Do you anticipate our embarking on that journey as well, Paul?

10:30

Paul Ferguson: That is absolutely essential. Council budgets are reliant on council tax to balance the books—it is set down in law that that is what we have to do. If a council's cost of delivering services does not change and the council tax income reduces as a result of a negative revaluation for the local authority area, it is essential that the revenue support grant fills that gap. The only way that that can be done is by reducing the level of revenue support of other authorities that gain from the revaluation. The net effect has to be nil for local authorities, but no local authority can suddenly cut its costs overnight. That is absolutely essential.

Willie Coffey: Unless there are any other comments, I thank you very much for your contributions.

Emma Roddick (Highlands and Islands) (SNP): My question is for the Scottish Assessors Association. Will you describe how valuation is done at the moment? For example, if a new house

is built, what process is followed to value that property in 1991 prices?

Heather Honeyman: If a new house comes on stream, we survey it and gather all the factual details. Houses are valued by the comparative method of valuation, which involves comparing them to similar properties in the local area. We use all the property data to compare the houses. We have to relate the value back to 1991 levels, which can be challenging in some cases, but we have sales information from around that date, which gives us a basis for the valuation. If that is challenged, we need to go to the Scottish Courts and Tribunals Service to defend the valuation. If a house was built in 2020, we still relate the value back to 1991 levels, and we have to defend that course of action in a court of law.

Emma Roddick: One of last week's witnesses said that that situation "discredits" the whole council tax system. Do you agree?

Heather Honeyman: It can make things very challenging. It is very difficult for people to relate to 1991, especially if they were not around then. Even for those of us who were around, it is difficult to look back and remember what things were like at that time. Obviously, a lot of new types of housing are coming on stream, which might be slightly different from the types in the base that we use, so we also have to take that into consideration when valuing.

On the subject of revaluation and perceived inequity, there is an issue with the rebanding on sale provisions. There are only three occasions when a banding can be changed on the council tax valuation list. The first is if there is a successful appeal and the banding is changed.

Secondly, if the assessor finds an error in the valuation, they could change the banding at that point.

Thirdly, where somebody has altered their property and the alterations and works are significant enough to push that dwelling into another band, the banding cannot be changed until the house is subsequently sold. There might be new houses coming into the council tax list that are valued exactly as they stand at that date, and people sometimes compare their house to the one down the road that is probably about the same size and is fully extended but has a lower banding. That is simply because of the legislation and the restriction on when bandings can change.

I hope that that has helped to answer your question. If there is anything else, please ask.

Emma Roddick: I have a little more. Obviously, methods of construction and preferred building materials have changed a lot in a few decades. How does that impact on the disparity, especially

when older houses might have used materials that would not now be so acceptable?

Heather Honeyman: It really depends on the market. Some older houses, depending on where they are and how they are designed, might be more attractive to buyers than the modern equivalent. However, I totally take your point. Some things that are in construction now did not exist in 1991, so we have to compare with modern equivalents as best we can and take account of the extra things. There is no doubt that that makes the situation challenging, but there will always be differences between houses, no matter when we revalue. A valuer uses their judgment in considering what things in a house are beneficial in cutting down running costs and so on. Usually, all that is reflected in the price that a house achieves on the open market.

Emma Roddick: If there were a wholesale revaluation or a reassessment of the whole system, what should be kept in mind to avoid such problems being repeated?

Heather Honeyman: In relation to council tax, there are assumptions that assessors must stick to when valuing, but those assumptions do not always end up being the case with an open market sale.

For example, when we make valuations for council tax, we have to gather our base, which involves looking at sales around the valuation date—in this case, it is still 1991—so that we know exactly what properties looked like in 1991. The same would have to be done in another revaluation exercise. We would need to know that the sales were on the open market with willing sellers, because, if all sales were put into the pot, repossession and sales between parties in a divorce or when somebody died would be included, and those would not be open market sales. In order to establish a clean base, we need to be clear on the sales and to know exactly which properties on the ground relate to those sales. That helps.

You described a scenario in which there are new construction methods and designs. We are talking about 32 years, so there will have been quite a bit of change. More frequent revaluations would pick up more of the changes in markets and construction methods.

Meghan Gallacher (Central Scotland) (Con): Good morning. Emma Roddick asked some of the questions that I was going to ask about what a revaluation would look like, but I will ask about the specifics. How long would a revaluation take? For example, do we have the right number of assessors to undertake such a task? What role could there be for computing and technological solutions, such as statistical valuation methods? I

am thinking about Zoopla and equivalent platforms online. How would that work? Are the systems in place to carry out a full revaluation?

Heather Honeyman: As it stands under the legislation, assessors are responsible for compiling and maintaining a council tax valuation list, but we would need to look at what else was going on.

For the benefit of the committee, I note that there has been major reform to the non-domestic rates system in recent years as a result of the Barclay review in 2017. We now carry out revaluations of non-domestic rates every three years. If there were also to be a council tax revaluation, the timetable would need to be considered, because we would clearly not want the two revaluations to happen at once, so that resources could be balanced. We would certainly need to take that into account.

At the moment, we carry out our statutory duties and do what we need to do with the budgets that we have; we do not do anything extra. For example, as I described earlier, the legislation states that a band can be changed if the house has had alterations made to it, but we cannot change the band until the property is sold. Most assessors do not routinely, as a matter of course, visit every property that has been altered. We do that only when we need to, which is when there has been a subsequent sale—that is when we focus on it. That means that a lot of the alterations that have taken place over the past 32 years have not been looked at, because there is absolutely no need for assessors to look at them at the moment. We would need to carry out that exercise to bring the records that we have on every property up to date. We have looked at doing that and have estimated that we would need a three-year lead-in time to be able to get all the survey work up to date and then to carry out the revaluation exercise.

There are 14 assessors in Scotland, each of whom has their own service and department. Obviously, this new piece of work for them would mean an increased workload, so we would need to bring in more resource to be able to do it. We would also look at the technology side of things. I am very pleased to say that, in the past 32 years, there has been a positive move to being able to use technology in a much bigger way than we did in 1993. We would certainly look at that.

You touched on Zoopla and Rightmove, which let people go in and look at sales and so on. Valuation is not an exact science. I mentioned the idea of putting sales into a pot. You could put all the sales in 1991 into a pot and all the sales in 2025 into a pot and look at the percentage change over that time. That could be done for all sales in Scotland—that could also give more detail,

obviously—or it could be done for a council area or for a street. You could do that, but you would be basically uplifting something that was not quite right in the first place.

I go back to the basis of the valuation, which is making sure that the actual physical details of a house are correct for the date of sale, and that the sale is an open market sale, with a willing buyer and a willing seller, and everything else that surrounds the assumptions for council tax. Also, as I said, we are assuming that a house is in a reasonable state of repair, but some open market sales are reflective of the fact that a house is not in a very good state of repair, so putting a value on that house is not giving it a council tax valuation. There are all sorts of things like that. It might seem that you could just take all 1991 values and uplift them to 2025 levels, but then when you get to the appeals process, you have to defend those values.

We looked back to see what the appeal percentage was in 1993, and it was just under 5 per cent—4.88 per cent. In 3 per cent of those appeals, the values were changed. When you look at that in context, it shows that what was done then was accurate and widely accepted at that time, and that was without the benefit of computers. Obviously, now, computers can help, and they can perform that mathematical exercise very quickly and easily, but those valuations then need to be checked against the background information to make sure that they are accurate. It is really important to get that base correct in the first place in order to be able to apply it to all other houses.

Meghan Gallacher: That is really helpful. I feel as though I am reliving the purchase of the first house that my husband and I bought, because we had all those issues with revaluation of it.

In last week's session, Professor David Heald suggested that the cost of revaluation in Wales could be used as a starting point for the estimation of costs in Scotland. Given that Scotland has something along the lines of 1.8 times more households than there are in Wales, would a cost of £25 million be a fair estimate? Maybe you would not be able to share that with us just now.

Heather Honeyman: We would be happy to take that question away. If we can be provided with a specification for a council tax exercise—whatever that might look like—we would be very happy to engage with other assessors and come back to the committee with a cost. It is important to get the specification right so that we can give you an accurate figure; otherwise, we could be looking and thinking about very different things. Various things have been discussed in relation to reform as well, so it is important that whatever cost we

give you reflects what you are asking for. I am happy to take that away if necessary.

Meghan Gallacher: Finally, there is a likelihood that, as a result of this work, there will be an increase in the number of appeals coming through the system. I am talking hypothetically, of course, but how would you manage it if more people were to appeal? Again, do we have the resources to deal with that?

10:45

Heather Honeyman: We would need to bring in more resources, because if we assume that the level of appeals will be similar to that in 1993, the fact is that we will not be able to deal with that sort of percentage overnight. We might assume that it will take three years to deal with that level of proposals, but it will also depend on when the next revaluation is being thought about.

Those are the types of things that will need to be considered in the mix when it comes to revaluation and what happens thereafter. We would need more resources; we are not currently resourced to deal with a council tax revaluation and the subsequent proposals and appeals that would come in on the back of it.

Brian Rout: I totally agree with Heather Honeyman about resourcing. That will be key if assessors are to give a realistic figure for how much a revaluation will take and, indeed, how we will deal with the aftermath. If there were, say a 5 per cent appeal rate, you would be talking about—I do not know—135,000 appeals across the country that would need to be dealt with in a decent period of time. We would also need to bear in mind the impact on the Scottish Courts and Tribunals Service, the First-tier Tribunal for Scotland local taxation chamber, if appeals were to end up going there, too.

For us to give you a clear indication, the specification for what you want would need to be fundamentally clear. That would probably give you a bit more clarity and assurance with regard to how much it would cost for assessors to deliver a revaluation.

Meghan Gallacher: That was really helpful, everyone. Thank you very much.

The Convener: We will now move to questions from Alexander Stewart.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning. You have already touched on some of this, but it would be good to get more of an indication of the limitations and the benefits of a banding system as opposed to the sort of flat percentage capital value system that is used in Northern Ireland. It would be good to hear your views, so that we can take them into account

when we look at a banding approach compared with an approach based on a percentage of the capital value.

Heather Honeyman: I am happy to take that. We touched on the mass appraisal system earlier, and I think that computerisation would help us by cutting out a lot of work when it came to doing the maths. That would absolutely be the case.

As for the percentage approach taken in Northern Ireland, assessors could certainly deliver a discrete valuation as opposed to a banding. A long time ago—before the poll tax came in—we had a rates system for houses; whatever you paid was based on your rateable value, which was individual to each house. I also point out that non-domestic rates are paid on the basis of a discrete value, so having that sort of system instead of a banding system would absolutely be achievable.

As I have mentioned, assessors can advise and say, “These would be the consequences of doing this or that,” but when it comes to making actual decisions about what will come in, that will be for the policy makers.

Alexander Stewart: So, there are already benefits from computerisation, and we can make advances in the system with what we have in today’s world compared with what we had in the past. Moreover, you do not foresee too many limitations arising for your own organisations with regard to how your assessors and other individuals in the process would manage these things.

Heather Honeyman: Well, assessors have certainly discussed whether a discrete value system would be achievable versus a banding system and so on, and there has been no indication that a discrete valuation could not be provided.

Brian Rout: The discussion around banding and discrete valuations is a good one to have. The approach seems to work in Northern Ireland; I think that there is a cap on the maximum capital value, and I think that I read last month that they are looking to do a revaluation in Northern Ireland in 2030.

My personal opinion on discrete valuation is that the public might view it as a genuine shift away from council tax. The banding system has winners and losers, and assessors have problems trying to explain, for example, why someone is at the lower end of a band when a similar property is at the higher end of a lower band. It is all based on the comparative method of valuation. Someone might fall into the next banding and we can evidence that there is an issue with that. That is the problem around the edges.

I can see that councils view banding as providing a more stable level for the collection of council tax, but that is outwith my remit.

The Convener: I invite Paul Ferguson to comment, and then Lisa Hayward, as we would like to hear the Welsh perspective, too.

Paul Ferguson: Council tax has many faults, which have been raised in many forums, but it has survived largely untouched for the past 32 years. In that context, banding seems to work for our customer base. Having more bands to make it less regressive is entirely welcome—that is what has been proposed and it is what Wales has done—and moving away from banding would probably make it no longer a council tax. That is a political decision. Banding is part of the fundamentals of council tax, but that does not mean that council tax cannot be replaced by another form of taxation based on discrete values.

Lisa Hayward: The Welsh Government commissioned research from 2016 to 2021 on alternative methods, which considered not only discrete values but the idea of operating more on the basis of a land value tax. The decision was made to remain with the system that we have. It might not be universally liked, but it is understood. It involves property, which is visible, and bands are better to administer and better for the individual than looking at property values, which vary on a yearly or constant basis. As Paul Ferguson just said, if you focus more on property values and so on, you will, in a sense, end up going back to domestic rates, which were in place up to 1989 in Scotland. The current system might not be universally liked, but it works. Property is visible, so you can actually see the asset.

As I said, research was commissioned. I know that land value tax was definitely the preferred option of some parties, but we are maintaining the council tax system here in Wales.

Alexander Stewart: Wales introduced a new band—band I. In Scotland, we only have bands A to H. Are there plans to introduce more bands? What was the benefit of introducing band I?

Lisa Hayward: As I mentioned, the introduction of band I was based on the 2005 revaluation, which involved 2003 property values, and covered properties worth £424,000 and upwards.

In the most recent council tax consultation that the Welsh Government conducted—the phase 2 consultation, which concerned changes that would have been implemented this year, but have now been slightly delayed—there was a proposal to add three bands. There was also a proposal to maintain the current nine, but given how wide property prices now range, it seemed much more fair to the customer to make the bands reflect current values. The proposal was to add a band at

the bottom and a further two bands at the top, which would cover properties worth around £1 million and £1.5 million and above—I am sure that there are properties worth exactly that kind of money, and more, in Scotland.

That proposal seemed to be the most reflective of the property market and perhaps the most fair to the council tax payer, who is probably the most important person in this. It allows them to see how their property band sits in relation to others. Basically, someone who has a property that is worth £1.5 million should be in a different band, and paying considerably more, than someone who is in band I with a property that is worth £424,000. The proposal for having 12 bands made the situation quite transparent to the council tax payer. Regardless of whether they all think that it is fair, at least they can actually see the movement. Someone might be moving up a band or down a band in a revaluation, but they can see where they are in relation to other properties.

From a public understanding point of view, that is incredibly beneficial. The latest view is that we need additional bands. It is not possible to condense such a wide range of property prices into nine bands. That would not do the system any favours at all.

Alexander Stewart: In Scotland, we have eight bands at the moment. Do you think that the potential exists to develop the bands for properties that are at the top end? There might be a disparity between those that are at the top end and those that are at the bottom end. The majority of properties are in the middle band range. Do you think that Scotland could cope with that? Would that be manageable?

Paul Ferguson: As our submission says, our position is that we propose having one more band at the bottom and two more bands at the top. That is a starter for 10.

Mention has been made of the regressive nature of council tax. There is a need for transparency. Lisa Hayward is right. A property that is worth 10 times what another property is worth should not be in the same band as that property. That is the issue that we have at present. We think that, as a minimum, there needs to be one extra band at the bottom and two extra bands at the top. That is what we say in our submission. The assessors can say whether they think that that is feasible, but it is down to the Government and politicians to say what the bandings should look like.

Although Wales currently has a higher band than we do—band I—the ratio is not higher. A Scottish council tax payer in a band H property pays more relative to a band E property than a

Welsh council tax payer in a band I property. It is important to note that.

Heather Honeyman: From an assessor point of view, we would just slot a valuation into where the bands were. I completely agree with Lisa Hayward's point about the need for transparency. We have a website where people can find out the council tax band of any property in Scotland. That enables a council tax payer to compare their house with other houses in the street or the area or houses in any other town.

The Convener: We will move on to the area of collaboration, consultation and communication, which Fulton MacGregor will ask about.

Fulton MacGregor (Coatbridge and Chryston) (SNP): Good morning. As the convener said, I will ask a few questions on collaboration, consultation and communication, although I appreciate that some aspects of that have been covered in the answers that you have already given, and I apologise for that.

I turn first to our witnesses who are online. A majority of respondents to the Welsh Government's 2022 consultation said that they did not want there to be a revaluation in 2025, but the Welsh Government is progressing with a revaluation, which will be carried out in 2028. In the face of the concerns that existed, how did the Welsh Government build a political consensus? Is this a case in which political consensus is more important than what the public think?

Lisa Hayward: You are right. In response to the question, "Do you agree that there should be a council tax revaluation in 2025?", a higher percentage said no than agreed that there should be. However, because the Welsh Government had committed to looking at the whole range of council tax and making it fairer, it proceeded to undertake a further consultation.

The responses to the second consultation were much more varied. In the second consultation, more details were provided and the information was broken down. The first question in the first consultation—"Do you agree that there should be a council tax revaluation in 2025?"—was quite vague, in the absence of information about how the property bands would change in the light of up-to-date property values. When the second consultation was carried out in 2023, there were three approaches to designing a better system: maintaining the current system with revalued properties and updated bands; changing the tax rates across the bands; and making a complete change from nine to 12 bands.

The Welsh Government would be able to explain this a lot more clearly than we can, but it held focus groups. It engaged an external company to hold public engagement sessions and

to pull out people's knowledge and understanding of council tax. We cannot underestimate the importance of that. Heather Honeyman mentioned this earlier and it made me smile: there are people who are paying council tax that is based on a property value that dates from before they were born. Because council tax is there and it is a long-standing thing, maybe we are all guilty of not reaffirming the message about what council tax is, what it does and what it pays for, and how important it is, given the contribution that it makes to society.

The Welsh Government took that on board and held wider public engagement sessions, had a raft of specific work groups and took academic input. The Welsh Local Government Association played a key role in bridging the gap between the political and people sides. That involved considering the Welsh Government's intention against a local authority understanding of the operation of council tax and drawing everything together.

11:00

You mentioned collaboration and communication. Absolutely, that has to be a key consideration, and you need to have all parties on board as soon as possible. It is about establishing where your key issues will be, getting public understanding, looking at other areas across the system, such as discounts, and having a key forum of strategic people on board. You need collaboration and communication—we are still learning and we can still improve. Information needs to be out there in the public domain, and you need public engagement sessions that emphasise what you are trying to do to make the system fairer.

When you mention revaluing council tax, you can say that it will be revenue neutral, but what does that really mean? People look at their council tax bills going up annually and ask, "What does 'revenue neutral' mean to me as a council tax payer? My property value has increased, so of course my bill will go up."

There has to be good public communication to try to emphasise that you are bringing the system up to date and putting everyone on a new level playing field, and that you will then be doing that regularly, so that everybody stays in the same position and you do not have a lag. I mentioned the issue that, when properties are significantly expanded—they sometimes double in size and more than double in value—nothing changes in the tax that is payable. Communication is absolutely key.

Fulton MacGregor: Turning to our Scottish colleagues, based on what Lisa Hayward has said, is there anything that a future Scottish Government could learn from that about any

consultation on council tax? Given the results of the consultation in Wales and the strength of political opinion on reforming the current council tax situation, which I think is shared round this table and the Parliament, is there anything that we could learn from Wales?

Heather Honeyman: In my view, if you are going to try to bring in something new, the clearer it is for people, the more chance you have of getting acceptance. For example, if assessors start going out to survey properties immediately, people will wonder, "Why are you here for this?" Therefore, the more messaging that goes out in advance, the greater understanding of what is coming and the more opportunity to ask questions, the better—those would all appear to be good things.

Fulton MacGregor: Thanks for that—

The Convener: Before you move on, Matthew Evans wants to come in on the previous question.

Fulton MacGregor: Oh. I am sorry, Matthew.

Matthew Evans: It is fine.

I want to build on what Lisa Hayward said. Generally, the public have an incredibly negative perception of council tax. Everybody automatically assumes that council tax will significantly increase each year. Over the past three or four years, across the country, council tax has probably increased a lot more than it has in previous years. I was looking back several years and found that our council tax precept for Wrexham was about £1,000 and is now £1,600. That builds a significant increase.

As Lisa said, a lot of work was undertaken through focus groups to help to build opinion, but the Welsh Government needs to do a much larger piece of work to outline the fact that any proposed changes would be revenue neutral, regardless of what scheme may come in in 2028. Ideally, it would increase the number of bands to reduce some of the issues around regressivity of council tax. However, there needs to be a much clearer explanation of what it will actually mean. In some cases, that should involve explaining when people are paying less and making that clearer for some people, because I think that that was lost on many people.

Fulton MacGregor: I was going to come back to you to ask about the collaboration with local government. The Welsh Local Government Association submission described the changes leading up to 2005 as "intense", so I thank you and your colleagues for expanding on that.

How would our Scottish colleagues describe the joint working group in Scotland? Do you believe that its work is similar to some of the collaborative

work that has gone on in Wales, or is there more to be learned from that?

Paul Ferguson: IRRV Scotland is represented on the group through Les Robertson, who is the chair of the revenues forum for our body. We are learning from what is happening in Wales—that is certainly a topic for discussion—so that we can improve on what we have done in the past.

The message about what we are doing and what the impact will be is really important, but there is a real concern that it could be ambushed by those who know that they are going to be disadvantaged. Heather spoke about people whose property has not been sold after they have had an improvement done to it. They likely know that they will lose out from the change. By the same token, there are people who know that the value of their property when they bought it was significantly above the national average. Therefore, it is really important to think about why we are doing this. We are doing this to protect those, probably that 20 to 40 per cent of the lower-income thresholds, to make sure that they are not paying too high a charge. To enable us to do that, those who are above the threshold need to pay a little bit more.

It is about controlling that narrative. In Falkirk, we have done a number of budget sessions with the public. Council tax is not well understood at all, so we are starting from a very low base. That information needs to be put out in different forums and through different avenues to make sure that, before people ask the question, they understand what it really means. I would say that, in Scotland, at present, that is not the case.

Fulton MacGregor: Thanks. You have gone on to what I was going to ask about next. Last week, witnesses raised some concerns about misunderstandings around a likely revaluation. We have heard from Welsh colleagues today that that can lead to negativity in consultations, because people automatically think that a revaluation means that their council tax will go up, so they feel that it is better to say that it should be left as it is.

What role should the Scottish Government and councils have in ensuring that the public are properly informed about possible changes? Can you think of any practical examples of what Government and councils can do to engage people and tell them what they are trying to do?

Heather Honeyman: The Scottish Assessors Association was not on the joint working group, so it is maybe something that the joint working group can add more on. I will say that there are two aspects to council tax, but people often just think of the bill, because that is what they relate to when it comes through the door. However, the valuation and the council tax banding form the basis for

charging, so it would be useful to get information out on both of those counts. The clearer things are, including in relation to the appeal process, the better.

There are the two slants to this, and it is important that both are communicated.

Brian Rout: I echo that. Public engagement and awareness need to be done on the ground. I can recall being at an event where Northern Irish colleagues did a presentation on the 2005 revaluation. They got to the point of putting signs on bus stops and on buses, which effectively reduced the number of appeals that they received.

The communication needs to be clear and concise, and you must bring the public along, both nationally and locally. You need to commit and not let things drag on. We have seen delays in Wales around the revaluation, so there needs to be a real commitment so that there is clarity for taxpayers.

Fulton MacGregor: I could not agree more.

I have one final question, which is probably for you, Paul. Last week, we heard that revaluation would be a vital first step before any further reforms. What other reforms would IRRV Scotland like to see?

Paul Ferguson: We have quite a few thoughts on reforms, and I think that they will follow on from the revaluation and the banding reset. One thing in Scotland that we do differently from in Wales and England is the water charge. That issue was raised last week. We charge for water along with council tax. We currently charge that at a different ratio to that for bands A to H, so the calculation is not consistent, either.

The other thing is that we only protect those who are on the lowest income from 35 per cent of that water charge. IRRV Scotland's position is that we would like the discount on water charges to be removed to enable the full protection of those who are on full council tax reduction to be applied. We believe that somebody who pays no council tax should pay no water charges. The current picture is slightly confusing, so dealing with the water charge is one part.

The other question is whether the single-person discount is still appropriate at its current rate, and there are a few reasons for that. One is whether we want to incentivise the underoccupation of properties. There is also the issue of people in higher bands. Someone in band H receives almost four times as much financial support as someone who is in a band A and is getting that discount. Is that right? Is that what we want to do? If we reduced or removed that, we could probably give more means-tested support through the council tax reduction scheme by targeting those who are on a low incomes and giving them more support.

All discounts, exemptions and ratios need to be considered as part of the wider review, but the big tickets are the water charges and the single-person discount. They need to be front and centre in that discussion.

The Convener: You specifically covered the question on water charges, which is clearly an issue. It was interesting to hear that people who are not paying council tax still have to pay water charges, which seems to be a bit of a discrepancy.

That concludes our questions. Thank you so much for joining us this morning. It has been helpful to hear the Scottish perspective, and I also thank our Welsh colleagues for joining us. You are certainly ahead of the curve and I hope that we can learn from what you have been doing and see some changes in Scotland at some point soon.

I will now suspend the meeting briefly to allow for our witnesses to leave the table.

11:11

Meeting suspended.

11:13

On resuming—

Subordinate Legislation

Non-Domestic Rating (Valuation of Utilities) (Scotland) Amendment Order 2025 (SSI 2025/19)

Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2025 (SSI 2025/8)

The Convener: The next item on our agenda today is for the committee to consider two negative instruments.

The first is the Non-Domestic Rating (Valuation of Utilities) (Scotland) Amendment Order 2025. No member has any comments on the order. Does the committee agree that we do not wish to make any recommendations in relation to the order?

Members indicated agreement.

The Convener: The second negative instrument is the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2025. No member has any comments on the regulations. Does the committee agree that we do not wish to make any recommendations in relation to the regulations?

Members indicated agreement.

The Convener: We previously agreed to take the next items in private so, as that was the final public item on our agenda for today, I close the public part of the meeting.

11:14

Meeting continued in private until 11:34.

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