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SAA

Scottish Assessors Association

Scottish Assessors Association

The SAA is a voluntary organisation whose members include all 14 Assessors and their senior professional staff.

“The object of the Association is to encourage amongst its members the exchange of ideas regarding their statutory duties;

- to record results of discussions on all subjects brought before its meetings;
- to promote uniformity in the operation of the Valuation and Electoral Registration legislation;
- to act as a consultative and advisory body;
- to represent the collective interests of its members.”

The logo for the Scottish Assessors Association (SAA) features the letters 'SAA' in a large, blue, serif font.

Scottish Assessors Association

How Council Tax Began

Local Government Finance Act 1992 s84 states;-

The local assessor shall compile, and then maintain, a list for the council (known as the valuation list)

A valuation list must show for each day it is in force

- each dwelling situated in the council's area
- which valuation band is applicable to the dwelling

s74 states;-

The tax payable shall be in proportion – **6 : 7 : 8 : 9 : 11 : 13 : 15 : 18**

Not exceeding £27,000	A	£58,001 - £80,000	E
£27,001 - £35,000	B	£80,001 - £106,000	F
£35,001 - £45,000	C	£106,001 - £212,000	G
£45,001 - £58,000	D	Exceeding £212,000	H

Council Tax Introduction 1st April 1993

- Ingathering of sales evidence; not previously held
- Updating of survey data not updated since abolition of domestic rates in 1989
- Analysis of house sales for all house types
 - **s 86(2)** – Valuation by reference to 1st April 1991
 - **CT Regs 1992,R2**; - main assumptions
 - Sold in open market by willing seller
 - Sold with vacant possession
 - Property is same as on date valuation is made
 - State of reasonable repair
- Determination of appropriate CT bands effective from 1st April 1993

Council Tax Banding Appeals

1993 Position

Approximately 2,225,000 dwellings

CT Alteration of Lists & Appeals Regs 1992,R5;-

- No appeal after 30th November 1993, against CT at 1/4/93
- Percentage appealed in 1993 = 4.88% (110,000 of 2.225M)
- Successful Appeals in 1993 = 3% (3,300 of 110,000)
- Percentage of total number of entries adjusted = 0.015% (3,300 of 2.225M)

Conclusion – A very high degree of accuracy and taxpayer acceptance

Thereafter

- Approximately 120,000 new taxpayers per year
- 1,500 proposals/appeals per year = 1.25%

Still very low numbers of appeals

Council Tax Maintenance Altered Properties

The Council Tax (Alteration of Lists & Appeals) (Scotland) Regs 1993

R4(1) – No alteration to a band is to be made unless;-

- There has been a material increase in the value and it(or any part of it) has subsequently been sold
- A different band should have been determined
- There has been a successful appeal

Bands can only be changed when a property has been sold AFTER being extended.

- Information received giving notification that property has been altered
- Information received when property has been sold

The vast majority of altered dwellings have not had CT bands reviewed

Very few CT bands are changed under this criteria

Council Tax Maintenance Altered Properties

Ease of Maintenance

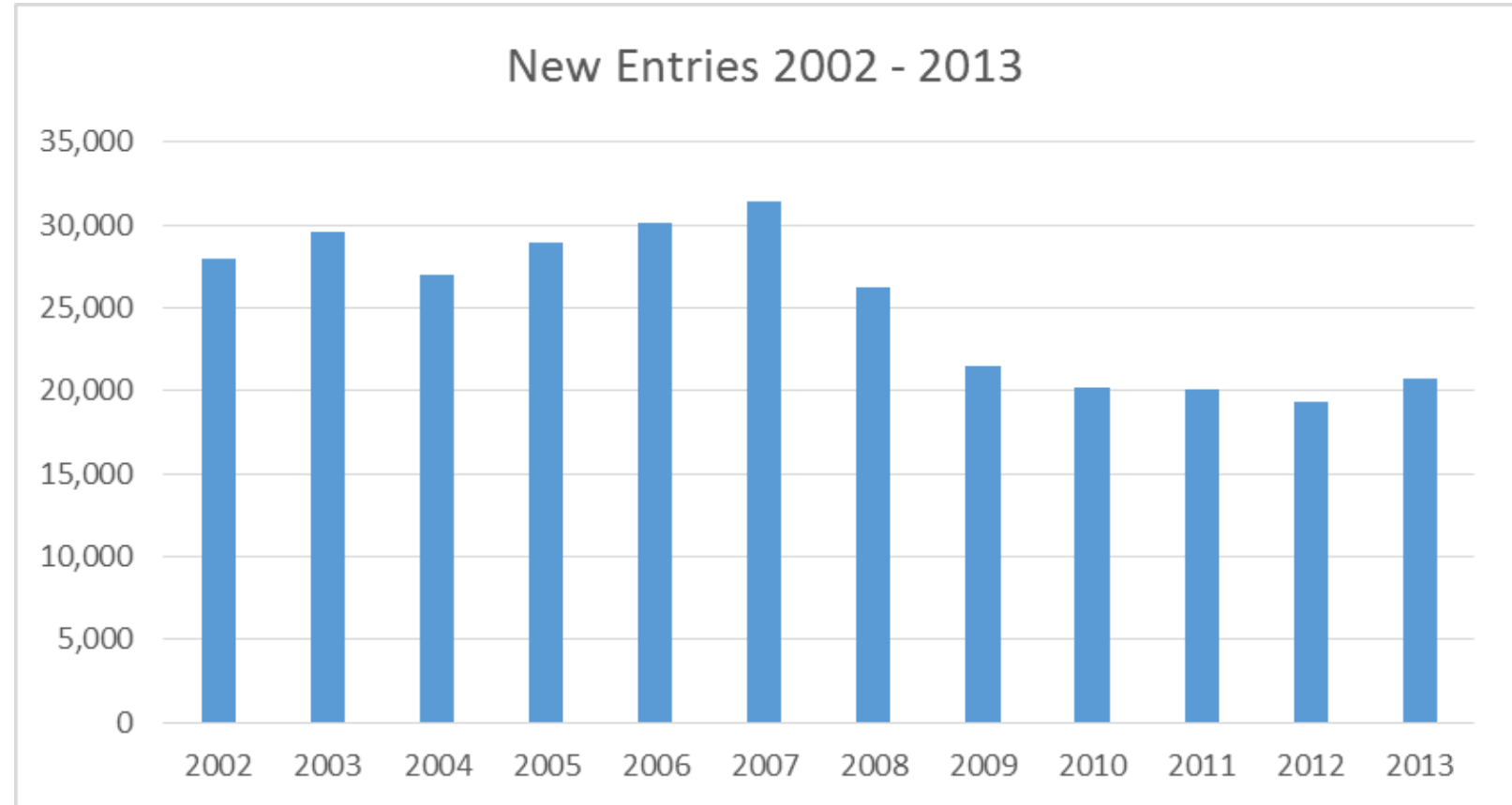
- Number of properties to be considered are low in number
- Generally comparisons can be found on repetitive housing estates

Challenges

- Properties in more unusual/less dense areas have few comparables for 1991 levels of value when re-assessing
- A very large number of properties have had significant alterations and yet the original banding still applies - Perceived unfairness
- New CT payers are generally unaware that their CT band can be altered after they purchase
- Property details for altered houses not required to be updated

Council Tax Maintenance – New properties in Scotland

	New Entries
2002	28,008
2003	29,579
2004	27,001
2005	28,965
2006	30,161
2007	31,417
2008	26,212
2009	21,530
2010	20,172
2011	20,119
2012	19,296
2013	20,736



Council Tax Maintenance – New properties

New dwellings

Approximately 20,000 to 30,000 new entries made in the CT list each year

Information received giving notification of new properties being built/developed

Information on sales price received from Builders and Registers of Scotland

Analysis of evidence relating back to 1991 sales level

New entries made at 1991 levels of value, based on physical attributes at date of entry

Continual net increase of properties and therefore income to the local councils

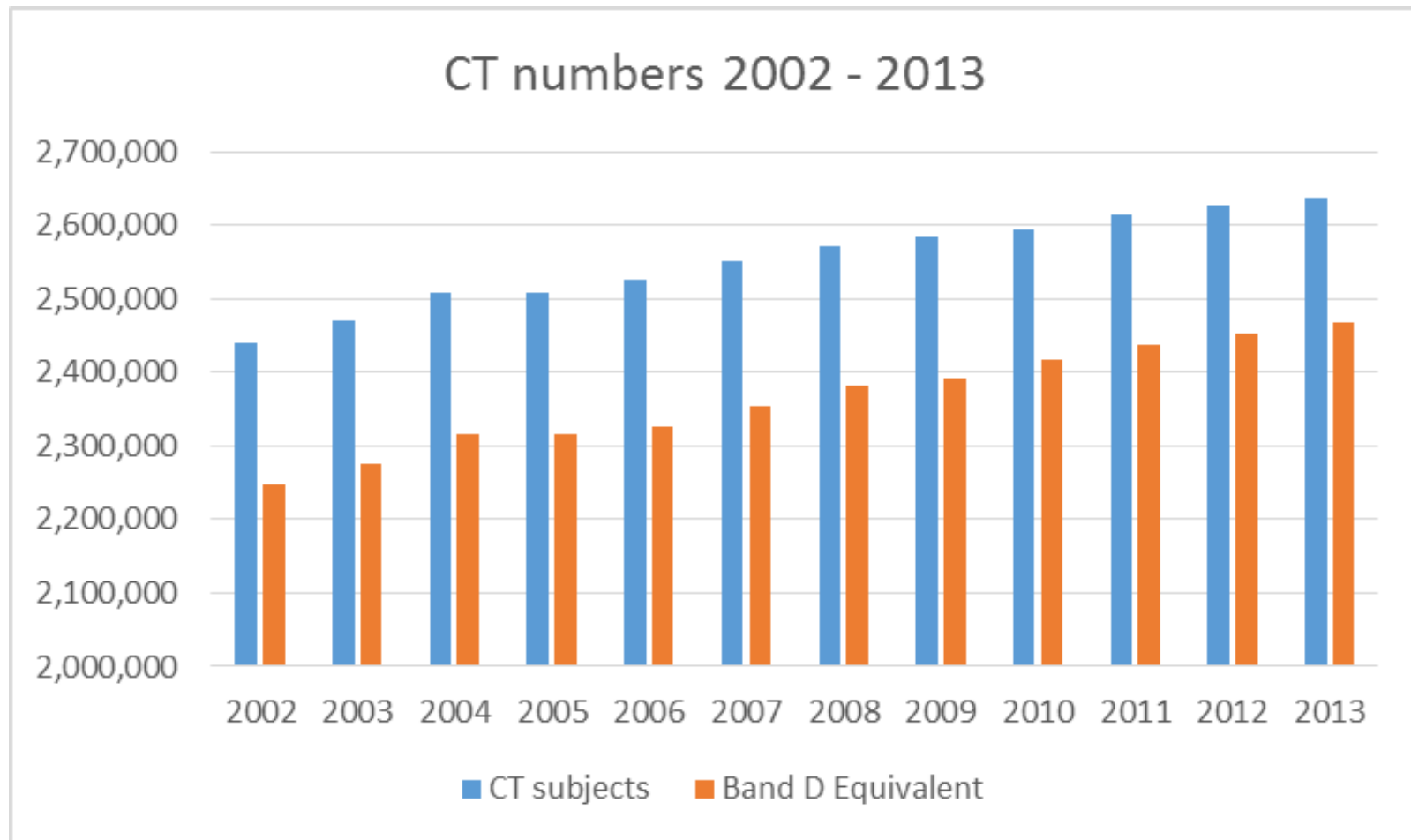
Challenges

Standards of properties now far superior to those built in in 70s, 80s and early 90s.

New upmarket developments in areas where once there was severe deprivation

Number of Council Tax Entries from 2002 to 2013

	CT Subjects	Band D Equivalent
2002	2,440,610	2,247,333
2003	2,470,141	2,275,063
2004	2,508,845	2,314,992
2005	2,509,028	2,315,199
2006	2,526,279	2,327,469
2007	2,552,173	2,354,703
2008	2,570,573	2,382,555
2009	2,584,649	2,391,492
2010	2,595,277	2,417,259
2011	2,614,508	2,437,858
2012	2,628,401	2,452,676
2013	2,638,349	2,468,488

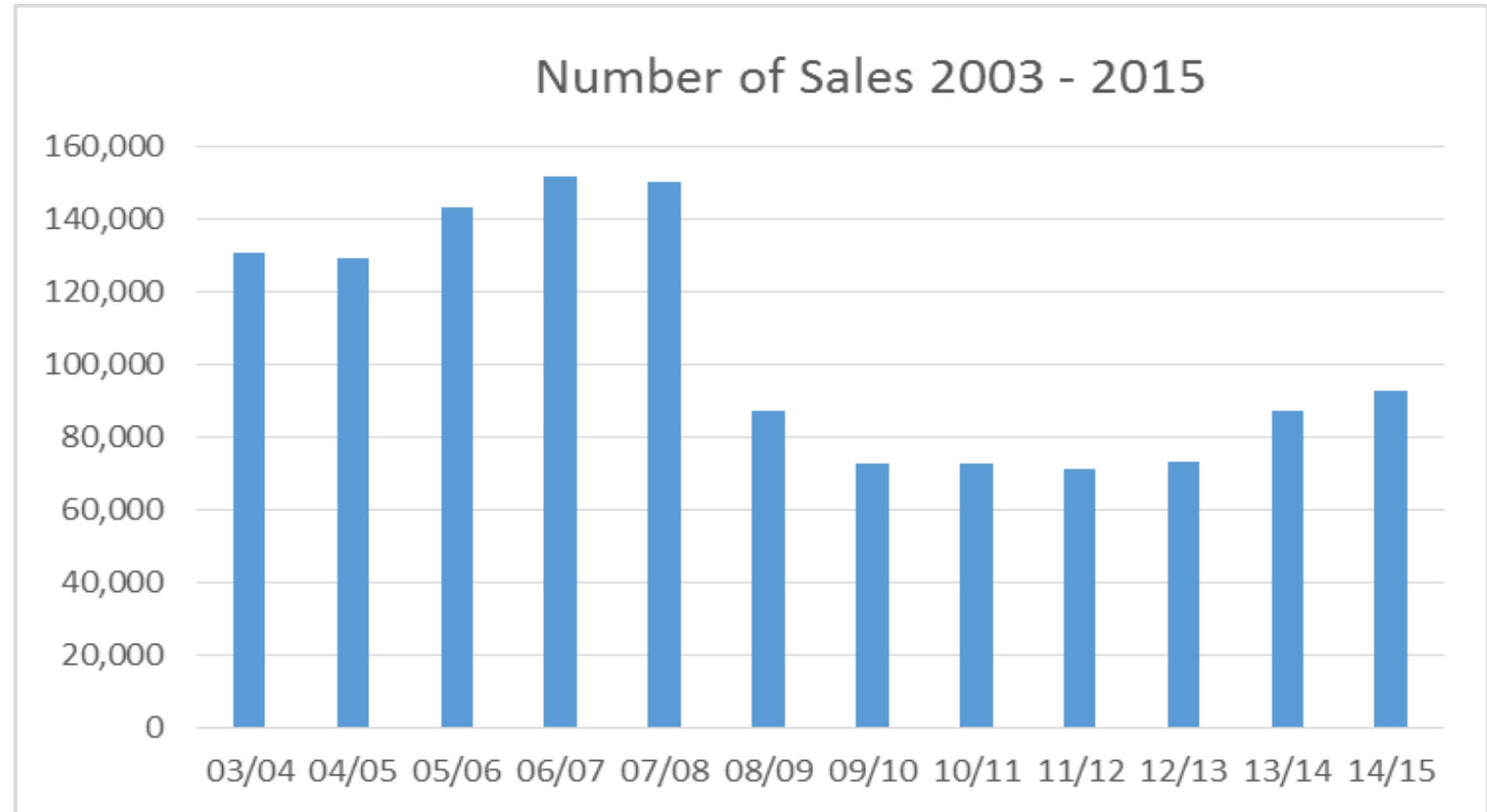


Benefits of using Open Market Sales *cf.* Other Data

- All house sales are registered and available to the assessor from the source of registration
- There is no withholding of information from the taxpayer
- Even in recessionary times still more than 70,000 sales per year
- Although sales levels can increase/decrease, other than in recessionary times fluctuation is not excessive from year to year
- Virtually all sales are with vacant possession and registered sales should only include fixture and fittings
- There is little known avoidance/evasion from registering incorrect sales
- For the vast majority of house types in the vast majority of locations sufficient comparable sales evidence should exist.
- Ability to filter sales to exclude 'rogue' sales allows clear picture of value landscape

Number of House Sales in Scotland from 2003 to 2015

	Number of Sales
03/04	130,320
04/05	129,278
05/06	142,947
06/07	151,315
07/08	149,958
08/09	87,148
09/10	72,488
10/11	72,670
11/12	70,961
12/13	73,053
13/14	87,342
14/15	92,798



Benefits of Council Tax for Local Authority Administration

- No avoidance
- Asset is conspicuous to all
- Easy to contrast and compare, allows verification by all taxpayers.
- High acceptance from taxpayers
- Low cost to administer
- High collection rates
- Income level virtually guaranteed

Benefits of Current System of Bandings to Assessors

- Very low appeal rates,
 - At introduction less than 5% compared to approx 30% NDR.
 - On annual basis approximately 0.0006% per year compared to 0.3% NDR
 - Only 7 points of contention under current bandings i.e. at;- £27,000, £35,000, £45,000, £58,000, £89,000. £106,000 and £212,000
- Ability to group similar houses together
- Restricts differential tax for minor variances
- Low degree of error, only 0.0015% bands altered
- No differential for houses not maintained ie reasonable state of repair

Benefits of Current System of Banding to Scottish Parliament

- Legislation in place and tried and tested
- Relatively minor changes need to progress through legislative process
- Pitfalls known therefore easy to rectify
- Easy to make the system fairer
- Cheap to administer
- Virtually guaranteed income, downward income unlikely
- No need to bring in a tax that may be;-
 - untested,
 - difficult to introduce,
 - unknown taxpayer reaction,
 - Unknown income to cost ratio and
 - Difficult to collect

Problems with Existing System

Key Issues

- Based on 1991 sales levels
- No legislation for automatic revaluation
- Houses extended since 1993 still paying on 'un-extended' band

Minor Issues

- Appeal process not easily understood by some taxpayers
- Houseboats not on list
- Garages/lockups no charge
- Second home/holiday home/SCU
- Storage/ancillary buildings remote from dwelling

Easily Rectified by

- Revaluation to current levels
- Alter number of bands, decision by policy makers.
- Alter the scope of bands after careful consideration of the housing market, decision by policy makers.
- Legislate for frequent revaluations, 5yrs/7yrs/10yrs
- Ability to alter bands from financial year after alterations carried out (although not as big a problem under frequent revaluations)
- Simplify the appeal process and make literature available in plain English

Revaluation Procedures

Step 1

- Verification that sales data is open market
- Ensure the technical details for the 'sales' is correct
- Place in basket of sales for analysis
- Create geographic areas to ensure only comparing like with like
- Analyses can be considered per floor area, apartment count for comparable property types.
- Rogue sales extracted with only bona fide sales remaining
- Beacon value ready to be attached to standard type of property
- When beacon established extended/improved/better locations would be adjusted
- Repeat for every house type in every location

Step 2

- Compare all beacon types in the same geographical area ensuring appropriate pattern established
- Compare similar beacon types across geographical locations checking appropriate patterns
- Analyses and values verified by senior staff

Data passed to Finance Officers for collection of tax

SAA

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s.74(2) – The valuation bands are set out in the following Table -

Not exceeding £27,000	A	£58,001 - £80,000	E
£27,001 - £35,000	B	£80,001 - £106,000	F
£35,001 - £45,000	C	£106,001 - £212,000	G
£45,001 - £58,000	D	Exceeding £212,000	H

The legislation can easily be changed under s 74(3), some thoughts;-

Current	x 2.5 Price inc	Welsh Bands	Average of x 2.5 & Welsh Bands	Round + higher option
Below £27,000	Below £67,500	Below £44,000	Below £55,750	Below £55,000
£35,000	£87,500	£65,000	£76,250	£75,000
£45,000	£112,500	£91,000	£101,750	£100,000
£58,000	£145,000	£123,000	£134,000	£135,000
£80,000	£200,000	£162,000	£181,000	£180,000
£106,000	£265,000	£223,000	£244,000	£245,000
£212,000	£530,000	£324,000	£360,500	£360,000
Above £212,000	Above £530,000	£424,000	£477,000	£475,000
		Above £424,000	Above £477,000	£1,000,000
				Above £1,000,000

s74 states;-

The tax payable shall be in proportion – **6 : 7 : 8 : 9 : 11 : 13 : 15 : 18**

Easily altered in legislation under **s 74(3)** – there could be many variations, some options;-

	A	B	C	D	E	F	G	H	I	J
Existing	6	7	8	9	11	13	15	18		
	1	1.17	1.33	1.50	1.83	2.17	2.50	3.00		
Possible	4	6	8	10	12	14	16	19	22	
11 bands	1	1.50	2.00	2.50	3.00	3.50	4.00	4.75	5.5	
Possible	5	6	7	9	11	13	15	18	21	25
12 bands	1	1.20	1.40	1.80	2.20	2.6	3.00	3.6	4.2	5.00

Could the band differentials be decided by the local authority?

Local Government Finance Act 1992 s88 –

Compilation and maintenance of new lists

- (1).....as regards financial years beginning on or after such date is specified in the order, valuation bands so specified shall be substituted for those for the time being effective*
- (2)For the purpose of-*
- a) Requiring local assessors to compile, and then maintain, new valuation lists for those financial years*
 - b) Facilitating the compilation and maintenance by local assessors of those lists*

The legislation is there ready to be actioned

Revaluation and Maintenance Costs

- Assuming a banding system used
- Estimated 2 years to value
- Cost over 2 year revaluation period ≈ **£7M - £10M**

- Assuming appeal system in place
- Estimated 3 years for appeal disposal
- Cost over 3 year period for assessor to deal with appeals ≈ **£2M per year**
(Appeal Committee/Tribunal costs need to be considered separately)

- Maintenance of the tax base (technical details)
- Assume technical details to be updated for alterations AND
- Assuming revaluation every 5 years (2 years to value & 3 years for appeal disposal)
- Cost should be met within ≈ **£2M per year thereafter**

The SAA are committed to assisting in deliberations, advising on legislation issues and providing evidence as required.

Thank You

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