

## Submission from Dr Clive Sneddon

I am writing as an individual with an interest in how revenue raising for local authorities can enhance democratic accountability, which is explicitly mentioned in the fifth clause of your remit. We have at present a mixture of councils funding themselves by charges and council tax, and receiving grant from the Scottish Government, as well as requiring consent for capital spending. The government funding formula has never been simple, and in practice councils appear to be subordinate to the Scottish Government and hence not worth turning out to vote for as their powers of independent action are so limited.

I would like the Commission on Local Tax Reform to investigate the following questions:

1. What financial regime will enable local authorities to govern in the interests of their local communities, such interests being as defined by local communities at the ballot box? The Council of Europe's 1985 European Charter of Local Self-Government, which I believe the UK ratified under the Blair Government, should be kept firmly in view in considering how to fund local government.
2. In the light of the additional powers agreed after the referendum, is it now possible for capital spending to be permitted for infrastructure of all sorts, subject to the constraints of not being available to finance current revenue spending or to build up a reserve, and to councils not being allowed to budget for a deficit? Infrastructure investment is generally regarded as economically beneficial, and can as a result generate additional tax revenues in the long run, so should not need to be artificially capped by the Treasury as part of its macro-economic responsibilities. That said, it may be necessary to consider the possibility of a local council becoming bankrupt and its services taken over until financial viability was restored to ensure that incentives are in place to avoid unwise expenditure on the capital account.
3. Is it possible to ensure that local councils can raise at least half the income they need? The more they raise, the more autonomous they are, and the more worthwhile it will be for electors to vote for their councillors.
4. Does the USA provide a suitable model for fiscal autonomy, with charges where a single beneficiary can be identified and multiple taxes, such as sales tax, local income tax, and local property tax? I think it would be a mistake to set up separate collection mechanism in each council, but rather that councils should precept on VAT and Scottish income tax.
5. Is the Council tax not irremediably discredited by the failure to revalue properties, the long years of the Council tax freeze, its hybrid character since it is partly based on the poll tax idea of a flat payment per person, and the numerous exemptions to it? Would it not be better to revert to domestic rates, with for those who cannot afford to pay either Scottish government support or deferral of payment by making the tax a charge on the estate? This would need to be accompanied by making the business rate a local government tax, and regular, preferably annual, revaluations of all properties.
6. Is one further option to have a land tax rather than a property tax, in order not to penalise those who develop their property? Again, land would need to be annually revalued and those who could not pay would need support as suggested above, but those countries that use land tax seem to treat revaluation as a desk job based on sales evidence.
7. Whatever charging and taxation systems are agreed, it is certain that some areas will be wealthier than others. Is it not preferable to have any equalisation of resources agreed by the councils through COSLA rather than through the Scottish Government's immensely complicated formula? This implies that the councils have sufficient funds between them to equalise, and that if they do not have enough money a global sum would need to be granted by the Scottish Government to COSLA to enable it to equalise resources as agreed by the councils collectively. I understand that the 32 London Boroughs at one time had such a local equalisation scheme, so it should not be impossible for the 32 Scottish Councils to devise

an equivalent scheme. Also, the more robust the income base, the less will be the need for any subsidy from the Scottish Government.

I understand that the other elements of your remit will ensure that all impacts of any changes are considered, but would invite you to support the beneficial impact on local democracy that my suggestions are intended to achieve.

Yours sincerely,  
Dr Clive R Sneddon