

# The Educational Institute of Scotland

## Council Tax Freeze

### 1. Introduction

- 1.1 The following resolution was approved at Council at its meeting on Friday 21 November 2014 and subsequently remitted to the Executive Committee for processing.

*"That this Council resolve to investigate and report on the impact of the Council Tax Freeze on spending on education and other local authority services".*

- 1.2 Initial contact was made with the Chartered Institute of Public Finance and Accountancy (CIPFA) seeking some broad guidance on the subject matter of the council resolution and some pointers as to where additional information could be found. A copy of CIPFA's submission to the Commission on Strengthening Local Democracy is attached as Appendix A and specific reference is made to paragraph 1.3 of the Submission which provides some initial information about the effects of the Council Tax Freeze.

- 1.3 CIPFA describes the effects of the Council Tax Freeze in the following terms:

- a) Government grant has been conditional on a prescribed level of local taxation since 2007-08 which CIPFA believes has distorted the relationship between local government, the citizen and central government.
- b) Local government services cost around £19.5bn per annum and there exists an estimated accounting deficit of more than £900m, i.e. £175 per person in Scotland.
- c) Central (Scottish) Government has offered financial support to Local Authorities of around £70m per year to freeze Council Tax at 2007-08 levels. The actual cost of the freeze at 2014-15 stands at around £490m per annum. The uptake of the freeze since 2007 has been 100% across all Local Authorities every year.

### 2. The Cost of Providing School Education

- 2.1 A copy of a paper dealing with Local Authority Education Budgets 2014-15 and which was considered by the Executive Committee in June 2014 is attached as Appendix B.

- 2.2 The figures collected demonstrate a cash cut in local authority education expenditure of £0.612m (excluding PPP payments). It is assumed that the total spend on school education in Scotland stands at around £5b.

- 2.3 Based on the information provided by CIPFA on the effects on local government services of the Council Tax Freeze, we can calculate that the Scottish Government has contributed a total of £70m in 2007 rising to £490m in 2014/15 which has essentially covered the cost of inflation since 2007 meaning that "inflation rises" in council tax levels have not been necessary.
- 2.4 The fact that, as part of the agreement with Central Government, Local Authorities are precluded from introducing any council tax increase at all has clearly limited their room for manoeuvre and additional spending plans for any Local Authority initiative cannot be funded through increases in council tax levels. It remains a fact, however, that every Council in Scotland has signed up for the Council Tax Freeze and has done so since 2007.

### 3. Recommendations

- 3.1 CIPFA's advice in relation to the Council Tax Freeze and the effects of the provision of Scottish Government grant to make up for inflation has been invaluable. However, in order to attempt to identify the impact of the freeze on education spending and other council services, we would have to try to estimate the spending plans of Local Authorities (beyond inflation) since 2007 which have been frustrated by the Council Tax Freeze itself.
- 3.2 It might be possible to communicate directly with all 32 Directors of Finance or to fund a discrete piece of research to attempt to identify the "projects" which have been lost directly as a consequence of the Council Tax Freeze. However, such an exercise would almost entirely be based on hypothesis, speculation and political subjectivity.
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