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Your Reference: Joint Letter: Confidential and Embargoed Until 18 Dec 2023

29 January 2024

Dear Jamie Livingstone,

Thank you for your open letter signed by a wide range of non-profit making organisations, which we received on 15 December, on the use of our devolved taxation powers in tackling the relative poverty experienced by certain vulnerable groups in Scotland.

The contribution of signatories to the discussion about tax, tax reform and tackling poverty is welcome and I am particularly pleased to see these coming from a wide range of organisational interests.

We are committed to using our limited devolved tax powers to be bold, delivering the most progressive tax system in the UK, and ensuring tax revenue supports initiatives that help us to deliver the public services we want to see, tackle poverty and grow our wellbeing economy. As you may be aware the Deputy First Minister has committed to publishing an update to our Strategic Approach to Tax alongside the Medium Term Financial Strategy this year. This will be an opportunity to consider the role of the tax system in the wider fiscal and economic landscape and build on our core tax principles as set out in the Framework for Tax.

We welcome further engagement on our tax policy choices and exploring how we can best use our existing powers. In fact in September the Deputy First Minister chaired a poverty round-table, where stakeholders including the Institute for Public Policy Research Scotland, Robertson Trust and the Low Income Tax Reform Group discussed the role of devolved tax levers in supporting our efforts tackling child poverty. You may also be interested to know that the Poverty and Inequality Commission has a working group on tax, and published its report "How better tax policy can reduce poverty and inequality" last October which can be read at

[How better tax policy can reduce poverty and inequality_October2023.pdf \(povertyinequality.scot\)](#)

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In the year ahead, we will take forward a comprehensive work programme with our partners in local government and the third sector to tackle poverty, address barriers to equality and protect all people from harm. We know poverty does not affect everyone equally and that is why we will have a particular focus on supporting women, disabled people, ethnic minorities and children from our six priority family groups.

In your letter you also mention the potential impact of the Council Tax freeze which was announced by the First Minister on 17 October. It is important that I stress that the Scottish Government is funding the forthcoming Council Tax freeze for 2024/25 in full, providing Councils with the equivalent of a 5% increase in Council Tax revenues to finance their local services (higher than the projected increase in CPI inflation over the coming year of 3%).

We believe that at a time when rising prices are putting significant strain on household finances, this freeze will give some certainty to households over the coming year. Although inflation is slowly falling, the damage caused by the UK Government's economic agenda of austerity and Brexit have hurt everyone, but particularly our most vulnerable households. Should Councils agree over 2 million Council Tax payers will benefit in 2024/25, providing much needed financial relief -particularly to vulnerable households. As a proportion of income, those on the lowest incomes will benefit the most from the freeze.

On local government finance more broadly, the 2024-25 Local Government Finance Settlement provides record funding of over £14 billion to local authorities across Scotland, including funding for the Council Tax freeze. Comparing budget to budget, as required by Parliament, this represents an increase of £795.7 million - equivalent to a 6% cash terms increase. Collectively this funding reflects our willingness to prioritise support to our public services whilst ensuring that households are protected from increasing financial burdens.

Ultimately, it is for locally elected representatives to take local decisions on how best to deliver services to their local communities and they are therefore free to decide how to allocate the vast majority of the funding available to them on the basis of local needs and priorities.

Nevertheless the announcement of a Council Tax freeze acknowledges the regressive impact of Council Tax and underlines the importance of reform. On reform we are committed to a fairer, more inclusive and fiscally sustainable means of local taxation. We have convened the Joint Working Group on Sources of Local government Funding and Council Tax Reform which is co-chaired by Scottish Ministers and COSLA to consider meaningful changes to the Council Tax system. We remain committed to exploring such proposals for change, in collaboration with our partners in local government and we will carefully consider these as they are proposed.

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Yours sincerely



TOM ARTHUR

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