

Consultation Response Form

Name:

Steffan Evans

Organisation (if applicable)

Bevan Foundation

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please state here:

Returning this form

The closing date for replies is **4 October 2022**.

Please send this completed form to us by e-mail to:

LGFR.consultations@gov.wales

When sending your response by e-mail, please mark the subject of your e-mail **A Fairer Council Tax Consultation**.

Alternatively, please complete the consultation response form and return by post to:

Local Government Finance Reform Division
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Question 1

The council tax bands are currently based on property values from 1 April 2003, almost twenty years ago. Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023, to maintain the credibility of the system and distribute the tax burden more fairly? The purpose would not be to raise additional revenue through this exercise.

Yes

Please enter here:

Council tax revaluation is overdue in Wales and will help ensure that the tax people pay better reflects their wealth. Retaining a model of taxation that is primarily based on property value as opposed to income means that the system will continue to have unfair elements, however. For example, renters could see their council tax repayments increase despite them not receiving any financial benefit from the increase in the property price of the property they are renting. It is therefore vital that the Welsh Government continues to explore alternative approaches to the council tax for longer term consideration.

Question 2

Do you agree the Welsh Government should consider adding more council tax bands (for example at the top and bottom ends of the scale) and refit the bands to help make the system more progressive?

Yes

Please enter here:

We believe that this would be a positive measure and would welcome any steps towards a system that is more finely grained, however, we believe that this change is not a substitute for larger scale change in the longer term.

Question 3

The Welsh Government is committed to considering transitional arrangements if needed to smooth the effects of reforms. What factors should we take into account when designing these arrangements?

Please enter here:

There is a need to consider the revaluation process alongside the annual council tax setting process. A household that sees their property rebanded from a Band C to a D would on average see their bills increase by 12% and a household that sees their banding increased from a Band D to Band E would see their bill increase by 22%. These represent significant increases in expenditure and could present a challenge for medium to low-income households that are not entitled to support through the Council Tax Reduction Scheme (CTRS). The average Band D council tax in Wales in 2022/23 stood 2.7% higher than in 2021/22, with the increase as high as 5% in Pembrokeshire.

The combination of both the annual uplift alongside the re-banding could push some households into financial stress.

Question 4

Do you agree the Welsh Government's Revenue Support Grant to councils should be adjusted to take account of changes to revenues raised in each local area as a result of council tax reforms?

Yes

Please enter here:

Question 5

Do you agree there should be frequent council tax revaluations at least every five years in the future, to ensure the tax burden is shared fairly amongst taxpayers on a regular basis?

Yes

Please enter here:

We believe that this is a sensible proposal by the Welsh Government that will ensure council tax more consistently reflects property values. However, this work should not distract from the need to explore alternative approaches to the council tax for the longer term.

Question 6

When properties are significantly improved, properties are only reviewed and potentially rebanded in certain circumstances, for example when the property is sold to a new owner. The Welsh Government is seeking views on whether this policy should change in the future.

No

Please enter here:

We believe that if the Welsh Government were to review property banding every five years that this would negate the need for the Welsh Government to change its approach on home improvements.

Question 7

Do you have any views on rights of appeal for taxpayers or how council tax debt is managed? Please include any suggested improvements for either of these elements.

Please enter here:

We believe that there remain significant improvements that could be made to council tax debt collection practices. In our 2021 report, *Debt in the pandemic* the Bevan Foundation outlined how current debt collection practices exacerbated the challenges faced by some low-income households, for example making those who are in arrears liable for their outstanding bill in full or by charging additional fees.¹ We believe that such practices should be prohibited.

Alongside prohibiting unfair practices, we believe that more needs to be done to ensure preventative approaches are taken to council tax debt. If a household falls into arrears on council tax, we believe that a local authority's first action should be to assess what support might the household be entitled to. For example, should the household be receiving CTRS? Taking a preventative rather than an enforcement approach would significantly ease the stress faced by Welsh families.

Question 8

What are your views on how the Welsh Government, the Valuation Office Agency, councils, or other organisations can modernise the service provided to taxpayers and improve transparency of the council tax system?

Please enter here:

Question 9

What is your view on the existing discounts, disregarded persons, exemptions or premiums? For example, do you think the current rules are appropriate and fit-for-purpose? Are there particular aspects of the rules which you think need to change or new rules created?

Please enter here:

The current system of discounts, disregarded persons and exemptions are not fit for purpose. In our 2020 report, *Solving poverty: Reforming help with housing costs* the Bevan Foundation outlined how the current system does not target support effectively and its complexity can often lead households to miss out on support they are entitled to.²

One proposal for reform made by the Bevan Foundation at the time was to scrap the single person 25% discount on council tax with savings reinvested into CTRS. In 2020/21 over 500,000 households received a 25% discount off their council tax,

¹ <https://www.bevanfoundation.org/resources/debt-in-the-pandemic/>

² <https://www.bevanfoundation.org/resources/solving-poverty-reforming-help-with-housing-costs/>

predominantly due to the single person discount. This figure included just over 210,000 who are also eligible for CTRS, meaning that there were approximately 290,000 households in Wales receiving a discount on their council tax regardless of their income, approximately 1 in 5 of all council tax eligible dwellings in Wales.

The inequity in the current system is emphasized when comparing the number of households in receipt of the single person discount with the number of couples with children who receive support towards their council tax costs. Across the board, there are approximately 290,000 people living in poverty in households where there is only a single adult or a single adult with a child. Whilst this is higher than the number who are eligible to receive CTRS, it is still considerably less than the overall number of households who receive a 25% discount.

By contrast, there are approximately 240,000 people living in poverty in couple households with children. Only around 23,000 of these households receive CTRS, with none eligible for the 25% discount. This means that whilst there are approximately 215,000 single person households receiving a discount despite not living in poverty, there are approximately the same number of couple households with children who receive no support at all despite living in poverty.

There are some arguments for retaining the single person discount. A single person household likely to put less demand on council services such as waste collection, for example, and therefore it may be viewed as fair for them to make less of a contribution. A stronger argument in favour of the reduction is that council tax accounts for a greater proportion of a single person's income than a couple household. This is on top of a single person having to spend a greater proportion of their income on other housing costs such as rent or energy payments. Indeed, this is one of the key reasons for why single person households are more likely to live in poverty than couple households. Providing a universal discount to single person households therefore may promote take up and help ease the pressure on some low income single person households.

This argument is undermined, however, by the evidence we gathered by the Bevan Foundation at roundtable discussions in 2019 and 2020. We heard that there are a number of households who are trapped in poverty who are not applying for CTRS as they think they are already receiving it in the form of the single person discount. This means that the single person discount may be leading to some households paying 75% of their council tax when in fact they do not need to be paying anything at all. The breadth of the discount may therefore, actually be curtailing the effectiveness of the more generous CTRS system. Abolishing the single person discount may therefore lead to greater clarity. Funds saved from the abolition could then be reinvested to increase the number of households eligible for CTRS, providing greater support to single people and families living on the margins of poverty than is currently the case.

Question 10

What is your view on whether the Welsh Government should have more flexibility in future to set the rules for the statutory single adult and empty property discounts?

Please enter here:

Question 11

What is your view on how reductions in council tax for properties adapted for use by people living with a disability could be amended, simplified or improved?

Please enter here:

As set out in response to question 9 the current system of deductions and reductions can cause significant confusion, leading to some low-income households missing out on support that they are entitled to whilst others are deemed not to be entitled to any support despite being on a low-income. Bringing the disability reductions within the purview of CTRS would simplify the support that is available to households, ensuring that disabled people that are on a low-income receive the maximum support possible.

Question 12

Should the Welsh Government be able to amend titles and descriptions of any discount, disregarded person or exemption? Do you think any of the current titles should be changed? What would you consider to be a more appropriate term to replace 'severely mentally impaired'?

Please enter here:

We believe that the Welsh Government should be able to amend titles and descriptions, and that there is scope for making these clearer. With regards to the question on "severely mentally impaired" we believe that "severe learning difficulties" or "mental incapacity" may be more appropriate.

Question 13

The Welsh Government expects there to be a continued need to support low-income households in paying their council tax bills. Do you have any views about the design of the current scheme, including whether it should continue to be means-tested? Do you have any general views about the scheme?

Yes

Please enter here:

As already set out in our response we think that household income should play a more central role within the council tax system. Placing greater emphasis on income would blunt some of the more regressive elements of council tax and help create a fairer model of local taxation. Given that developing such a system is viewed as a longer-term aspiration by the Welsh Government we think that greater emphasis should be put on CTRS as an interim measure to support low-income households.

There are two key changes we believe that could be made to enable this. First, the model of deductions and discounts that currently exist should be streamlined with support primarily provided through the CTRS. Second, we think that accessing CTRS should be made easier for households.

One of the major issues with CTRS is the reduction in the number of people who are automatically passported to receive support as the result of the roll out of Universal Credit. The Bevan Foundation is aware of some approaches taken by local authorities across the UK that has allowed them to, in essence, reinstate a passporting approach. The Bevan Foundation will be working with Policy in Practice over the autumn to explore these approaches further and will share its findings with the Welsh Government to enable such approaches to be rolled out across Wales.

Question 14

Should Welsh Ministers have a duty to set a national scheme to be administered locally by councils, which allows the Welsh Government to make in-year changes if required?

Yes / No

Please enter here:

We have not recently undertaken research in this area.

Question 15

Should the existing local arrangements form part of the new national scheme for consistency, whilst acknowledging that councils still retain existing discretionary powers under legislation?

Yes / No

Please enter here:

We have not recently undertaken research in this area.

Question 16

We would like to know your views on the effects that the proposed policies would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favorably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

Please enter here:

N/A

Question 17

Please also explain how you believe the proposed policies could be formulated or changed so as to have positive effects or increased positive effects on opportunities for

people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

Please enter here:

N/A

Question 18

We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

Please enter here:

N/A