

Local Government and Housing Committee – Inquiry into council tax reform

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality by working with people to find effective solutions and by inspiring governments, organisations and communities to take action. We are grateful for the opportunity to submit written evidence to the Housing and Local Government Committee's inquiry into council tax reform. Our response addresses each of the terms of reference set out in the consultation document in turn, with our response on points 3 and 4 (deductions and the Council Tax Reduction Scheme) merged.

The potential impact of a council tax revaluation and revised council tax bands on local government finances and administration.

Council tax revaluation is overdue in Wales and will help ensure that the tax people pay better reflects their wealth. We also believe that introducing more council tax bands would be a positive measure and would welcome any steps towards a system that is more finely grained.

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.

We have not undertaken detailed work on the impact of revaluation and revised council tax bands on local government finances and administration and therefore cannot offer any detailed comments on what the potential impact of reform is likely to be in this context.

The potential benefits and disadvantages of regular property revaluations on local government administration, and the impact on those liable to pay council tax.

We believe that regular property revaluations will ensure council tax more consistently reflects property values. This is likely to be of benefit to those who are liable to pay for council tax, ensuring that the tax they pay more accurately reflects their wealth.

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 the annual uplift alongside the re-banding could push some households into financial stress.

Despite being in favour of regular revaluation we do believe that this work should not distract from the need to explore alternative approaches to the council tax for the longer term.

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The Council Tax Reduction Scheme and council tax deductions

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.¹

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 the Council Tax Reduction Scheme (CTRS). In 2020/21 over 500,000 households received a 25% discount off their council tax, 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

¹ <https://www.bevanfoundation.org/resources/solving-poverty-reforming-help-with-housing-costs/>

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.

The issues set out above are exacerbated by a lack of information that is publicly available around the single person discount and CTRS. For example, there is a lack of published information that allows someone to work out if they might be eligible for CTRS without them having to undertake the application process. The Welsh Government's own guidance also makes it difficult for households to understand whether they can be classified as a single person for the purposes of council tax.²

We also 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.³ 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.

² <https://gov.wales/council-tax-discounts-and-reductions-information-leaflet>

³ <https://www.bevanfoundation.org/resources/debt-in-the-pandemic/>