

A Fairer Council Tax Consultation

Consultation Response Form –

Money Advice Trust

MONEY
ADVICE TRUST

BUSINESS
DEBTLINE

NATIONAL
DEBTLINE

WISER
ADVISER

Introduction

The Money Advice Trust is a debt advice charity helping people across the UK tackle their debts and manage their money with confidence. In 2021, our National Debtline and Business Debtline advisers provided help to over 170,400 people by phone, webchat and our digital advice tool with 1.63 million visits to our advice websites.

We frequently help people struggling with council tax debt. In the last tax year (April 2021 – March 2022), 24% of callers to National Debtline and 24% of callers to Business Debtline had council tax arrears.

As a debt advice charity, we have limited our comments in this consultation to council tax debt and support for people on lower incomes. With that in mind, we have answered only a selection of questions (questions 1, 3, 7, 13, 14, 15) – we do not have comments on the other questions raised in this consultation at this time.

We would be very happy to discuss any of our comments or recommendations further – please do not hesitate to get in touch if this would be helpful. We also look forward to seeing further detail in the Phase 2 consultation in due course.

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 / No

Please enter here:

As the consultation highlights, the current council tax system places a greater burden on lower income households, typically living in lower value homes. There has been a significant increase in council tax arrears in Wales in recent years - rising by 103% (or £87.7 million) between 2013 and 2022 – arguably reflecting the increasing challenge lower incomes have in affording council tax bills.

While revaluation is just one element needed to address this challenge, we support the proposal to complete a revaluation in 2025 as a means of making the system more progressive.

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:

We support the need to consider potential transitional arrangements for households who may struggle with increased bills and look forward to seeing further detail on this in the phase 2 consultation. As this consultation acknowledges, there will also still be a strong need for wider support through the Council Tax Reduction scheme – for example for larger families who may live in larger homes but still be on a low income overall; people on lower incomes living in the private rented sector who do not benefit themselves from the increased value of a property; or older people who may live in larger families homes where children have moved out. We would expect these to be particular groups considered for help with transitional arrangements as needed.

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 strongly believe there needs to be changes to the way in which council tax arrears are collected. The current regulations mean council tax arrears and the collection process escalate quickly and it can be difficult for people to negotiate affordable repayment plans.

This is something we see among the people we help through our debt advice services – National Debtline and Business Debtline (operating across England, Wales and Scotland):

- In the last tax year (April 2021 – March 2022), 24% of callers to National Debtline and 24% of callers to Business Debtline had council tax arrears.
- The amount people owe has been growing too – at National Debtline, our clients owe, on average, £1,578 – up by over £500 since 2018 (£1,005).

In a survey of National Debtline clients¹:

- Eight in ten (79%) said the actions of their local authority in collecting arrears had a negative impact on their wellbeing. This was worse than the impact of all utilities and private sector creditors, including payday and short-term lenders.
- Almost half (48%) said their local authority had not offered them help to deal with their arrears. On this measure, local authorities scored second-worse behind every other type of creditor except bailiffs.

¹ Money Advice Trust (2021) [Council tax after Covid: Reforming council tax support and collection in the wake of the pandemic.](#)

Pace of escalation

The fast pace of escalation of council tax arrears, including people becoming liable for their entire annual bill after one or two missed payments, is particularly problematic. Given the circumstances of many financially vulnerable individuals it is highly unlikely that they will be able to afford to pay this in one go.

Nearly half (45%) of callers to National Debtline have a 'deficit budget',² meaning their income is not enough to cover their essential monthly bills and costs – such as rent, energy, council tax and food - let alone pay their council tax arrears in a lump sum.

People in council tax arrears may also be experiencing other difficult personal circumstances – such as an illness or disability – which put wider pressure on their financial situation. National research of adults in England and Wales, conducted by the Money Advice Trust found that:

- People who had a long-term health condition or disability were **three times as likely to have fallen behind**, compared to those without.³
- People who receive an income-related benefit (specifically Universal Credit, JSA, ESA and Tax Credits) were **almost four times as likely to have fallen behind** on council tax compared to those not receiving benefits.⁴

The pace of this escalation in recovery also leaves people with little time to engage with their local authority or to seek debt advice, yet this can be key to achieving positive and fair outcomes in debt collection.

Difficulty getting affordable repayment plans

Change is also needed to ensure more people can access a genuinely affordable repayment plan. Currently, many people face challenges getting their local authority to agree to these, particularly where it would mean repayments continuing into the next financial year - due to the pressure on councils to meet in-year collection targets.

Research with debt advisers conducted by the Money Advice Trust for the UK Government Call for Evidence on Fairness in Government Debt Management, in 2020, found that almost half (47%) of debt advisers surveyed rated local councils as “poor” or “very poor” at assessing affordability and their willingness to accept affordable repayment plans.⁵ A further 23% said councils were neither poor nor good at assessing affordability – perhaps reflecting the inconsistency of practices across England and Wales.

² National Debtline client data, 2022.

³ National polling conducted by YouGov for the Money Advice Trust, June 2021. Sample size 3359. 6% of people with a long-term health condition or disability had fallen behind on council tax since coronavirus pandemic began, compared to 2% of people without a long-term health condition or disability. For more information, see: Money Advice Trust (2021) [Council tax after Covid: Reforming council tax support and collection in the wake of the pandemic](#).

⁴ Ibid. 11% of people receiving one or more of Universal Credit, JSA, ESA or Tax Credits had fallen behind on council tax since coronavirus pandemic began, compared to 3% of people not receiving one of these benefits.

⁵ Money Advice Trust survey of 412 debt advisers across the sector, via our Wiseradviser training service. Fieldwork conducted online between 10 August – 2 September 2020.

The challenges in getting affordable payment plans set up leaves people in the distressing situation whereby they need to repay a whole year's council tax or face further escalation of enforcement.

Improving the management and collection of council tax debt

We recognise – and warmly welcome – the steps the Welsh Government has taken to improve the way people in council tax debt are treated. This includes the removal of the sanction of imprisonment for non-payment, the development and implementation of the Council Tax Protocol, the endorsement of the Money Advice Trust's [‘six steps’ for local authorities](#) and the proposals to update thresholds for attachment of earnings orders. The retention of the 100% Council Tax Reduction Scheme across Wales has also protected lower income people from the risk of council tax arrears, and poor collection practices, in the first place.

However, as we have highlighted here, there are still problems that remain and so it is welcome that improvements are being considered as part of this consultation. A progressive council tax system must also have a progressive approach to debt collection. This should reflect the fact that many people in arrears are struggling financially.

Fundamentally, **the existing *Council Tax (Administration and Enforcement) 1992 Regulations* need reform. We would encourage the Welsh Government to work with the Westminster Government to reform these regulations, or to consider how they can achieve change if action from the Westminster Government is not forthcoming.** Reform should be focused on:

- **Stopping people becoming liable for their entire annual bill** when they fall behind on instalments.
- **Introducing a statutory ‘pre-action protocol’** for councils to follow before beginning to enforce council tax debt – including a requirement to set up an affordable repayment plan.
- **Replacing the costly and ineffective liability order process** with a more effective consumer safeguard.

Other recommendations for the Welsh Government improve practice and support a move to a fairer and more progressive debt collection approach include:

- Requiring local authorities to **contract only with bailiffs regulated by the newly-established [Enforcement Conduct Board](#)**, to ensure that councils are only using firms who are signed up to high standards of practice and are committed to being independently audited against this.
- **Introduce statutory reporting by local authorities of debt collection methods and outcomes** (to move away from a sole focus on collection rates, which can incentivise poor practice, particularly around the collection of arrears in-year). This could include metrics such as: the number of affordable repayment plans set-up; proportion of plans sustained/ completed; and debt collection methods used – including the use of bailiffs.

- **Implementing provisions to ensure regular uprating earnings thresholds used for Attachment of Earnings Orders** – as outlined in the 2021 consultation on this. We would support this being built in as an automatic annual update to the thresholds to prevent the thresholds falling behind real earnings and cost of living rises.

Evidence suggests that improving the fairness of council tax collection would lead to better outcomes for councils and improved returns over the longer-term. At the Money Advice Trust, we analysed data from individual local authorities in England and Wales on the use of bailiffs, for example, and found no correlation between decreased bailiff use and lower collection rates.⁶

Evidence from the private sector and from other areas of government also shows commercial benefits to implementing a fairer approach to debt collection.

- The Credit Services Association (CSA) – the trade body for debt collection agencies – reported that a greater focus on assessing affordability as a result of FCA regulation led to amounts collected by its members increasing by 10% from £2 billion in 2016 to £2.2 billion in 2017, despite being from a smaller overall pot of debt.⁷
- Figures from the HMRC’s Time to Pay service – which enables people to negotiate affordable repayments based on their individual circumstances – showed that 9 in 10 Time to Pay arrangements complete successfully, with the debt repaid in full.⁸

We would be happy to discuss any of these recommendations in more detail or provide further information as needed.

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 / No

Please enter here:

The Council Tax Reduction Scheme is a vital lifeline for lower income households, for whom full council tax bills would be unaffordable. We strongly support the maintenance of 100% support in Wales, unlike what we have seen in England where devolution to local authorities, coupled with funding cuts means just 74 local authorities now offer 100% support.⁹ As we set out in our [Council Tax after Covid](#) report, we believe this distinction partly explains the fact that arrears rates in Wales have risen at a lower level than in England.

⁶ Money Advice Trust (2022) [Written evidence to UK Parliament Levelling Up, Housing and Communities Committee inquiry into Council Tax collection.](#)

⁷ Example taken from National Audit Office (2018) [Tackling Problem Debt.](#)

⁸ HMRC Guidance, [How to pay a debt to HMRC with a Time to Pay Arrangement](#), 4 November 2021.

⁹ New Policy Institute and entitledto, [Review of Council Tax Reduction schemes in England in 2021/22](#), June 2021

Maintaining 100% support, and ensuring that all those who need this receive it, should be a key principle of any redesigned scheme. The Welsh Government should also examine any groups who might currently be in need of support but are not currently eligible, to see if there is a need to widen eligibility.

We share concerns that about the complexity of the interaction with Universal Credit and that people are not automatically passported onto their local Council Tax Support scheme. We have called on the UK Government to amend this as a matter of urgency.

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:

There are likely to be benefits to enabling changes in-year in response to unforeseen events such as we saw with the covid pandemic, or with the current price rises in the energy market. If this is used to ensure that people are receiving adequate support for their financial situation, this would be helpful to households dealing with the impact of such events on their household finances.

Having said that, certainty of support is important for people, and aids budgeting throughout the year so we would be concerned if these changes led to people in need experiencing a reduction in support in-year, or fluctuating support within the tax year.

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 think that there are benefits from having a nationally-set scheme, providing consistency of support regardless of where in Wales you live. Local discretion on top of this in some areas can then be helpful to deal with local need – for example, the option to backdate support beyond the standard three-month period can be particularly useful where people would have been eligible but were not aware of the support available, or there was another issue with their application. The proposed approach therefore sounds sensible.