



Llywodraeth Cymru  
Welsh Government

OPEN CONSULTATION, DOCUMENT

# Consultation on proposed changes to the Council Tax Reduction Scheme

We want your further views on some proposed changes to the Council Tax Reduction Scheme.

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# Overview

Support with Council Tax payments through the Welsh Government's Council Tax Reduction Scheme ('the scheme') is an important part of welfare support for households on low incomes. The scheme, which is administered locally by councils, has historically had low take-up from potentially eligible residents and the number of households receiving a Council Tax reduction continues to fall.

This technical consultation proposes a number of changes to the scheme to make it easier to access and simpler to administer. Nothing in this consultation places new restrictions on existing eligibility for the scheme.

## Introduction to the Council Tax Reduction Scheme

The Welsh Government is committed to improving its Council Tax Reduction Scheme, which provides vital support to around 261,000 low-income households across Wales. Since the introduction of the scheme in 2013, we have continued to protect vulnerable and low-income households by maintaining full entitlements to support. We expect there to be a continued need to provide a scheme and we are reviewing the legislation, scheme design, and administration, with the aim of making the Council Tax Reduction Scheme easier to access and easier to administer. It is important to emphasise however, that the Council Tax Reduction Scheme is not being removed or eligibility restricted.

Currently each local authority in Wales is required to adopt its own local Council Tax Reduction Scheme, based on nationally prescribed requirements set out in regulations made by the Welsh Ministers. While there are limited areas of local discretion, in practice this results in schemes, which are broadly the same throughout Wales.

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Over summer 2023, we **consulted** on whether to place a duty on the Welsh Ministers to establish a single national scheme, to be administered locally by local councils. The majority of responses to the consultation were in favour of the proposals. As a result, these changes were included in a Local Government Finance (Wales) Bill, that was laid before the Senedd on 20 November 2023. You can follow the passage of the Bill on the Senedd Cymru [website](#).

The Local Government Finance (Wales) Bill includes provisions to:

- place the Welsh Ministers under a duty to set out a national reduction scheme in regulations with a duty on local authorities to administer the scheme at a local level
- enable the Welsh Ministers to issue guidance to local authorities about the way the scheme should be applied
- if passed, it will enable in-year changes to be made, allowing the Welsh Ministers to change the scheme to react to any unforeseeable events arising from changes in the economy or society, such as the cost-of-living crisis, rather than needing to wait until the start of the next financial year

We believe the changes introduced in the Bill, if passed, will provide further opportunities to standardise and improve the consistency of the Council Tax Reduction Scheme implementation in Wales. These developments dovetail with work happening across the Welsh Government on a Welsh benefits system, through the development of common approaches to eligibility, application, and verification of evidence. We continue to explore ways in which we could make more fundamental improvements to the scheme in the longer term and will consult on any further proposals.

We also brought together a working group of council practitioners to discuss ideas for future changes to the scheme, to continue tackling poverty in light of changes to the UK welfare system.

As our review of the scheme continues, the focus of this technical consultation is

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on practical actions we can take sooner to simplify the application process and to the reduce the administrative complexity of the scheme.

## Proposed changes

### Proposal 1: simplifying the application process

Support with Council Tax payments through the Council Tax Reduction Scheme is an important part of welfare support for households on low incomes. Since the scheme was introduced in 2013, it has had relatively low take-up from potentially eligible residents and the number of households receiving a Council Tax reduction has been falling. Our latest [annual report](#) shows around 19% of all households in Wales receive support through this scheme. While it was encouraging to see the previous downward trend in take-up reversed temporarily during the pandemic period (2020 and 2021), the number of households supported is once again decreasing.

Research commissioned by the Welsh Government from [Policy in Practice](#) found that for working-age households, the drop-off in take-up is likely to reflect both the increased retention of earnings under Universal Credit, leading to some households no longer being eligible for support, and the fact that Council Tax reduction needs to be applied for separately when someone applies for Universal Credit or when someone migrates to Universal Credit from other benefits. This can result in a loss of household income and lead to the accumulation of Council Tax arrears.

To improve the join-up between Universal Credit and the Council Tax Reduction Scheme, we would like to provide, in the Welsh Government's regulations, that a council may treat an 'intention to claim' in the Department for Work and Pensions Universal Credit Data Share as an automatic application for the Council Tax Reduction Scheme. This would enable an application for the

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Council Tax Reduction Scheme to align with the award of Universal Credit. We believe this provision would help to proactively identify eligible residents to a council, and potentially help to remove some additional administrative requirements. The council would be able to determine whether it has all the information it needs to progress an award of Council Tax reduction, or whether in some cases it needs to confirm further details with an individual. A council may could do this in a number of ways that could be less burdensome than an applicant needing to submit a lengthy separate application form.

We believe this change from reactive to proactive identification of eligible residents could increase take-up from low-income Universal Credit claimants, resulting in less confusion for households and lower Council Tax debt. For councils, low take-up of Council Tax reduction generates higher costs through enforcement activities and risks downstream financial costs on other council services through crisis intervention. The development of an effective and efficient process for application improves the wellbeing of residents and could ultimately reduce long-term administrative costs for the council.

If we decide to implement this change, we plan to commence these changes on 1 April 2025.

We are looking separately at how we can improve the way Council Tax collection and arrears are managed.

We will also continue to explore with councils and the Department for Work and Pensions other ways councils can make greater use of Department for Work and Pensions and other UK data to help assess Council Tax reduction eligibility and awards, with the potential for local authorities to automate more of these processes in future.

## **Proposal 2: reducing the administrative complexity of the scheme through changes to non-dependant deductions**

The Welsh Government has previously simplified the Council Tax Reduction Scheme, for example by removing the second adult rebate and by making other administrative improvements. However, the scheme remains complex and many of the regulations that govern the scheme continue to draw heavily on the Council Tax Benefit rules which ended in 2013. We are committed to continuing to simplify the scheme and, as a next step, we propose to simplify or exclude non-dependant deductions from a Council Tax reduction.

A non-dependent person is a person living as a member of an applicant household, but who is not a partner, a child, or a young person for whom the applicant is responsible. Examples of people classed as a non-dependant would be a grown-up son, daughter, friend or relative.

A deduction is currently made to a Council Tax reduction award based on the expected financial contribution from other adults (i.e. non-dependants) in the household.

For 2024 to 2025 there are multiple levels of non-dependant charges according to their income. The range is between £0 where a non-dependant does not have an earned income up to £17.35 where a non-dependant has a gross income of more than £554 a week. The lowest level of non-dependant deduction is £5.80 where a non-dependent has a gross income of less than £256 a week.

For councils, administering these calculations is complex and obtaining this information to support the application for a reduction can be time-consuming, leading to delays in assessments. It can also be difficult for the applicant to obtain the necessary information. If no evidence can be obtained, the highest level of deduction is taken. This results in a lower amount of support for the applicant.

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To simplify non-dependant deductions, we are proposing 2 alternative options.

## Option 2A

Would be to implement a 'flat rate' non-dependant deduction, where the rate of deduction is the same for everyone classed as a non-dependant. This option would be to maintain the £0 for a non-dependant deduction where a non-dependant does not have an earned income, but to introduce a flat rate charge of £5.80 for all other non-dependent members in a household. This rate would be subject to annual uprating. If this option were chosen, we would also like to exclude 18 to 20-year-olds from the deduction, bringing this into line with Housing Benefit age thresholds. This option would still involve a council needing to pursue an applicant for further evidence.

## Option 2B

Would be to exclude non-dependant deductions based on non-dependant earnings altogether.

If we decide to implement any of these changes, we plan to do so in 2026 to 2027 as these changes may require more complex legal drafting for the required regulations, which can be incorporated into the first set of newly redrafted regulations for the scheme if the Local Government Finance (Wales) Bill receives Royal Assent in 2024.

## Affordability

The affordability of any changes we propose is an important consideration, particularly during the current challenging financial climate. We believe the

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proposals presented above are both affordable and viable for councils to implement, without significantly affecting the total income foregone and the contribution the Welsh Government provides annually towards the total value of awards.

Improving the Council Tax Reduction Scheme has a range of wider benefits for councils and public services more broadly, that could be realised in preventative financial savings.

In relation to the first proposal, introducing provisions to enable persons in receipt of Universal Credit to be recognised as having made an application for a Council Tax reduction would be cost neutral for the Welsh Government but could lead to a small increase in demand for Council Tax reductions and result in a higher total of overall awards.

This is an effect of improving take-up of support for those in communities that are eligible for support and could already be receiving it. This could reduce the Council Tax income which might otherwise have been collected but may result in savings to councils by removing the costs of enforcement activities where there is no realistic prospect of debt recovery. The costs and benefits will be explored in detail as part of the regulatory impact assessment which will be prepared alongside any regulatory changes. These costs are not additional costs in the sense that they realise the true costs of providing Council Tax reduction for eligible residents.

In relation to proposal 2A, the impact of simplifying non-dependant deductions on the total reductions awarded by councils (£ per annum) has been estimated as approximately £0.5 million per annum, based on information provided by local authorities.

In relation to proposal 2B, the impact of excluding non-dependant deductions on councils' income from Council Tax (£ per annum) has been estimated as approximately £1 million per annum.

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These pressures may be offset to some extent by administrative savings. Future Council Tax reforms, as discussed in the Welsh Government's phase 2 consultation on **A Fairer Council Tax**, could help councils in meeting the potential pressures outlined above, as reforms may reduce the Council Tax liability of households eligible for reductions and the total amount of awards provided on a like-for-like basis. The costs and benefits will be modelled at the time of introducing regulations, and a regulatory impact assessment will be prepared, to update the impact on councils prepared alongside any legislative changes including any annual uprating of the costs.

## Consultation questions

### Proposal 1

#### Question 1

Do you agree with proposal 1 that a person in receipt of Universal Credit may be recognised by a council as automatically having made an application for a Council Tax reduction under the Welsh Government's Council Tax Reduction Scheme?

#### Question 2

Do you foresee any challenges around the implementation of proposal 1 or any challenges when advising applicants about their entitlements?

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## Proposal 2

### Question 3

Do you agree that we should introduce changes to non-dependant deductions?

### Question 4

If you answered yes to question 3, should the scheme move to 2 bands of non-dependant deductions (option 2A) or exclude non-dependant deductions altogether (option 2B)?

### Question 5

Do you have any other ideas for suggestions for how the Council Tax Reduction Scheme could be either simplified or improved?

## Welsh language impacts

### Question 6

What, in your opinion, would be the likely effects of the proposals on Council Tax reduction on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.

- Do you think that there are opportunities to promote any positive effects?

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- Do you think that there are opportunities to mitigate any adverse effects?

## Question 7

In your opinion, could the proposals on Council Tax reduction be formulated or changed so as to:

- have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English or
- mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

## Other issues not covered

## Question 8

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.

## How to respond

Submit your comments by 6 June 2024, in any of the following ways:

- complete our [online form](#)
- download, complete our [response form](#) and email [CTandNDR.Consultations@gov.wales](mailto:CTandNDR.Consultations@gov.wales)
- download, complete our [response form](#) and post to:

Council Tax Policy and Reform Division

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Telephone: 01625 545 745 or 0303 123 1113

Website: [ico.org.uk](https://ico.org.uk)

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## Further information and related documents

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