



Understanding the impact of Council Tax Interventions in Wales: The Removal of the Sanction of Imprisonment for Non-Payment of Council Tax

Executive Summary

1. Background

- 1.1 Councils in England and Wales have a range of enforcement options for collection of Council Tax arrears. Until recently this included the option to apply to the magistrates' court for Council Tax debtors to be committed to prison for up to three months. In Wales this option was removed from 1 April 2019.
- 1.2 Prior to its abolition in Wales, the option to commit to prison was not just a threat to non-payers of Council Tax. It was estimated that nearly 700 people were sent to prison in Wales and England for non-payment of Council Tax between 2010 and 2017 .
- 1.3 There had been growing calls for the abolition of imprisonment of Council Tax debtors in England and Wales for many years. Following consultation, The Council Tax (Administration and Enforcement) (Amendment) (Wales) Regulations 2019 were laid. The explanatory note stated that the regulation "makes amendments to the 1992 Regulations to remove the power of billing authorities in Wales to apply to a magistrates' court for the issue of a warrant committing a Council Tax debtor to prison".
- 1.4 Local councils in Wales had indicated concern about the impact of withdrawing the sanction of imprisonment and the threat of imprisonment on Council Tax collection rates. Local councils need to collect maximum local taxes due from households with the means to pay to fund services. The Welsh Government stated that "(T)here is little evidence of a relationship between the use of the committal process and collection rates while there is growing evidence that collection levels and arrears are best managed through early engagement with citizens". Noting the concern of Welsh councils, the Welsh Government agreed to monitor the impact of this regulatory change on Council Tax collection.

- 1.5 As part of this evaluation, the Welsh Government sought to examine the impact of this regulatory change on Council Tax collection. The research was carried out in 2022 and consisted of desk-based research, quantitative statistical analysis and interviews with key stakeholders.

2. Key findings

- 2.1 Evidence gathered as part of the research indicated that the COVID-19 pandemic and the cost of living crisis had a noticeable impact on Council Tax collection rates. This meant that trends in collection rates alone could be used to evidence the impact of the removal of the sanction of imprisonment.

Key findings from the process evaluation

- 2.2 There was a high level of awareness within councils of the removal of the sanction of imprisonment for non-payment of Council Tax.
- 2.3 There was variation across councils in the level of change in enforcement activity resulting from the measure. The main changes stated by councils were an increase in the use of charging orders, more referrals back to debt collectors and an increase in write-off of Council Tax debt.
- 2.4 Citizen's Advice Wales were concerned that some Welsh councils had still not updated communication in light of the removal of the sanction of imprisonment for non-payment of Council Tax

Key findings from the impact evaluation

- 2.5 Comparison of Welsh council collection rates from 2017 – 2018 to 2021 – 2022 with control groups showed that average Council Tax collection rates in Wales were higher than in England, Scotland, and when compared to similar councils in England. Welsh councils were the only group to implement the non-sanction of imprisonment within the comparison timeframe.
- 2.6 Welsh councils maintained Council Tax collection rates since 2019 better than councils in England and the control group of similar English councils.
- 2.7 Research undertaken by Policy in Practice prior to the COVID-19 pandemic found that only two factors had a statistically significant correlation with collection rates: the maximum Council Tax Reduction (CTR) awarded by the council and the level of local poverty. Council Tax collection policy did not have a measurable impact on Council Tax collection rates.
- 2.8 The removal of the sanction of imprisonment for non-payment of Council Tax had led to challenges for councils in engaging with particular groups of non-payers, for example, those for whom other collection mechanisms (such as attachment of earnings or charging orders) are not appropriate.
- 2.9 Citizens Advice Wales felt that the impact of the removal of the sanction of imprisonment was very positive as it provided a space for debtors to pay at a rate they could afford. Prior to the removal of the sanction there was evidence that some debtors were so concerned about the use of the sanction of imprisonment that they repaid debt at a level that caused harm to themselves.

3. Conclusions

- 3.1 Statistical analysis undertaken for this research, together with findings from previous research undertaken by Policy in Practice, suggested that the removal of the sanction of imprisonment for non-payment of Council Tax had not affected Council Tax collection rates in Wales.
- 3.2 Even though the removal of the sanction of imprisonment appeared to have had no measurable impact on Council Tax collection rates, there remained concerns about the impact on Council Tax collection rates within a minority of Welsh councils. Nearly all councils stated that the measure had made engagement with certain groups of non-payers more challenging. It was likely that the overall debt of these non-payers would be small in comparison to the total amount of Council Tax collected and, as such, had minimal impact on Council Tax collection rates.
- 3.3 Findings from the research suggested that the removal of the sanction of imprisonment had an impact on council enforcement activities with greater use of charging orders, referral to debt agencies and write-offs.
- 3.4 It was concerning that a small minority of council communication still referred to the sanction of imprisonment and the threat of imprisonment was still used by a minority of enforcement officers. Given the awareness of councils of the measure, and the general support from councils for the removal of the sanction of imprisonment, it was likely that this was due to an omission in updating training, websites and other communication.

4. Recommendations

- 4.1 The Welsh Government should work with Welsh councils to determine the cohorts for whom debt collection has become more challenging due to the removal of the sanction of imprisonment. Identification of the more problematic cohorts as distinct from households without the means to pay could inform the introduction of measures to assist councils. For example, additional collection powers, sharing of good practice on collection practices from these groups and standard guidance regarding collection routes.
- 4.2 Welsh councils should review all their channels of communication to ensure all reference to the sanction of imprisonment is removed. Councils may need to ensure that training on the removal of the sanction of imprisonment is extended to all staff and to external enforcement agents.
- 4.3 The evaluation of the impact of the removal of the sanction of imprisonment on collection rates is complicated by the impact of both the COVID-19 pandemic and the cost of living crisis. The Welsh Government should consider further evaluation at a greater distance from the impact of COVID-19 and when levels of poverty are more comparable to pre-2019 levels.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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