



Llywodraeth Cymru
Welsh Government

CLOSED CONSULTATION, DOCUMENT

Proposed changes to the Council Tax Reduction Scheme: summary of responses

Summary of responses on the proposed changes to the
Council Tax Reduction Scheme.

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Introduction

The Council Tax Reduction Scheme (CTRS) remains a significant system of support and an important lever for tackling poverty across Wales. CTRS 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. The technical consultation proposed some changes to the CTRS to make it easier to access and simpler to administer. Specifically, the proposals in the consultation were:

Proposal 1: should the Welsh Government change the Council Tax Reduction Scheme so that a person in receipt of Universal Credit (UC) may be recognised by a council as having made an application for Council Tax reduction, to come into force in 2025 to 2026

Proposal 2: should the Welsh Government introduce changes to non-dependant deductions (NDD) to come into force in 2026 to 2027, and if so, should the scheme move to 2 levels of non-dependant deductions or remove non-dependant deductions from the scheme entirely?

The consultation ran from 12 March until 6 June 2024 and 44 completed responses were received. The consultation questions are reproduced below together with a summary of the responses.

Consultation questions and responses

Proposal 1

Question 1: Do you agree with proposal 1 that a person in receipt of

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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?

Responses to question 1

37 respondents to the consultation agreed with the proposal that a person in receipt of UC 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. Respondents commented that much confusion arises through separate application processes and the proposed change will simplify the process, and minimise the form filling for those who are already under strain having to apply for UC.

Respondents reported evidence to show that many UC claimants are unaware they must apply separately for a Council Tax reduction. The managed transfer of people from legacy benefits onto UC is impacting claimants who are used to Housing Benefit and Council Tax Reduction Scheme applications being administered through one form. Many of these people could potentially neglect to apply for a Council Tax reduction in addition to UC, if they have a change in their circumstances after transferring from legacy benefits to UC.

One respondent commented that the consultation proposal will maximise take-up of CTRS and avoid the administration involved in backdated claims and potential tribunal cases. Others noted that the change will reduce the administrative burden on councils and reduce the need for councils to pursue an avoidable debt with summons costs involved.

Many welcomed seeing the processes around UC and CTRS clarified in the Welsh Government's regulations and thought that supporting guidance will give councils assurance over the use of the data received from the Department for

Work and Pensions.

Those who opposed the change believed that people must take responsibility for themselves and should need to apply separately for CTRS and that applying should be an individual choice.

Issues outside of the proposed change were raised such as: changes in circumstances in a person's UC award can also result in an award of CTR not just for new UC claimants, and that UC communications between agencies and citizens are not always reliable. In future it was suggested there may be a need to ensure all UC applications, decisions and moves are notified to the relevant council, whether the UC applicant is liable for Council Tax or not.

Question 2: Do you foresee any challenges around the implementation of proposal 1 or any challenges when advising applicants about their entitlements?

Responses to question 2

Some respondents commented on the challenges around implementation of the proposal, including the importance of UC communications to citizens being received in a timely and reliable manner and notification of a UC award being made. Some respondents raised issues around the resources available, potential extra demand, staffing and funding of the scheme.

Others drew attention to the issue of the question being asked of a person if they want to receive Council Tax support, and unless the correct answer is given to that question, then data would not be sent to the council. It was suggested further consideration could be given to wider data sharing between agencies in future.

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Following the publication of the Welsh Benefits **Charter**, 1 respondent asked whether an application for the Council Tax Reduction Scheme will also be considered as an application for other eligible Welsh benefits. One council commented that it also tries to process Free Lunch and School Essentials Grant claims at the same time as it processes Council Tax Reduction Scheme applications. Another respondent urged that these proposals be viewed as part of a broader goal of creating a more cohesive and easier to access Welsh benefits system.

Consistency in implementation of CTRS was raised with a range of different approaches adopted by councils to administering the various grants and allowances under their control. Ideally there should be consistency of messaging across all Welsh councils.

While some councils envisaged no challenges in implementing the consultation proposals, provided the guidance is clear and co-produced with councils, the need for frontline services to be given training and support so that the right information, free of technical jargon, is provided to applicants. Finally the importance of the WG monitoring the changes as they are implemented by councils was highlighted.

Proposal 2

Question 3: do you agree that we should introduce changes to non-dependant deductions?

Responses to question 3

39 respondents agreed with making changes to non-dependant deductions from the value of a CTRS award. Most respondents agreed that the complex

calculations for non-dependant deductions should be simplified. Many believed reducing or excluding this element would help to remove some of the uncertainty and complexity that exists in the current system.

Third sector organisations reported evidence that non-dependant deductions introduce unnecessary complications for the CTRS. For example, some of their clients have reported that they sometimes find it difficult to understand the exact earnings of non-dependants. This can cause significant delays in the application, which can result in arrears building up. Furthermore, non-dependants do not always contribute towards the Council Tax bill of the household, even if they are assumed to be able to contribute.

Another third sector organisation reported that non-dependant deductions create a lot of issues for applicants. There is a lack of knowledge amongst applicants about how the deductions work and insufficient explanations of deductions on CTRS claim forms. There are also frequent failures to report changes in non-dependants such as non-dependants moving in or out as the claimant doesn't view these as changes in 'their' circumstances.

Some councils thought positive changes would result in those applying to the scheme not having to provide wage slips for the non-dependant, and this will improve assessment times ensuring accurate Council Tax bills are issued. This could both increase the take-up of CTRS and reduce the administrative burden on councils.

Other respondents believed non-dependant deductions imparts responsibility on the non-dependants to contribute to the household costs. Some felt non-dependant deductions should be taken into account as it should not be for other taxpayers to fund a household that may have income coming in from a non-dependant who is not contributing to the household costs, in effect subsidising a non-dependant who may not require any financial support.

It was suggested that linking with HMRC data to establish income levels may be

a simple and easier solution.

Others raised broader points such as that Council Tax should be a personal charge and not a property tax as Council Tax is becoming more and more an 'individual taxation' for police, fire services, health, social care and well-being services.

It was noted in the consultation there is a cost involved with removing or simplifying non-dependant deductions and some respondents sought clarification about who will bear these costs.

One respondent thought the default to the maximum non-dependant deduction rate should be dropped, as claimants are often not in control of what information they can provide about a non-dependant's income. There should be robust guidance on what evidence a claimant is expected to find out about a non-dependant's income.

A further suggestion with regards to non-dependant deductions was to amend the regulations to exclude non-dependants who receive Personal Independence Payment, Attendance Allowance or Disability Living Allowance, or carers allowances from a deduction, as this would be in line with UC regulations.

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)?

Responses to question 4

In response to this question, 18 respondents favoured moving to 2 income bands for non-dependant deductions, 11 favoured removing non-dependant deductions entirely, while a further 8 respondents made alternative suggestions

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such a moving to 3 or 4 income bands.

Respondents in favour of 2 income bands believed administration would be made easier through the application of flat-rate deductions. Many raised the point that it is not unreasonable to ask non-dependants to contribute to Council Tax as some non-dependants bring significant amounts of income into a household and therefore consideration should be given to the fairness of them not contributing towards the Council Tax charge.

Many supported moving to 2 income bands as this would bring the CTRS regulations more in line with the UC regulations. Further consideration should also be given to using the same criteria that the Department for Work and Pensions uses for UC for non-dependant deductions.

Others believed a 2 level deduction would still mean considerable administration, which then becomes complex with the definition of work. The definition of 'work' currently is remunerative work of at least 16 hours per week, and this would still need to be evidenced by the claimant. That would also mean a non-dependant earning £50 a week being expected to contribute the same as someone earning £500 per week. It will be necessary to ensure that the evidence gathering requirements about the non-dependant's financial position are not burdensome on the claimant or the council.

Those who supported excluding non-dependant deductions altogether thought it would be far easier and the whole process simplified for applicants. Respondents observed that it is becoming increasingly difficult for non-dependants to afford to move out, it would help the whole household if there were no non-dependant deductions in place.

Others thought excluding non-dependant deductions would reduce the burden on councils to gather evidence on incomes, reduce delays in accessing a reduction for CTRS applicants, minimise the evidence that applicants need to provide and reduce the financial burden on households if non-dependants are

not contributing to costs.

Some respondents believed that some (if not all) of the revenue councils would lose from excluding non-dependant deductions could be offset by a reduction in administrative and recovery costs. Another respondent believed that from a Council Tax collection perspective, considering the cost implications and success rates of collecting non-dependant debts, removing the deductions entirely could be considered preferable, allowing resources to be directed to other collection activity. Many councils noted that any material changes should be funded.

Concerns were raised that removing non-dependant deductions entirely would open the scheme up to a higher potential for fraud, either by false representation of the liable person, or the relationship between individuals in the household.

Other responses to the consultation suggested alternative numbers of income bands with easy to understand thresholds in a simplified system. There were suggestions of adopting three income bands: no deduction, a certain amount, then a greater amount.

Four income bands could be:

- no deduction (DWP income only)
- low (<£150 per week)
- medium (£151 to 299 per week)
- high (>£300 per week).

Another respondent suggested that Council Tax must be assessed on personal income, as pensioner personal income can be a quarter of a working-age person's wages, but with the expectation to fund the family home.

Another respondent noted there is already provision in the regulations to protect the more vulnerable CTRS claimants as non-dependant deductions are not

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applied if the person is in receipt of Personal Independence Payment, Attendance Allowance etc.

Question 5: do you have any other ideas for suggestions for how the Council Tax Reduction Scheme could be either simplified or improved?

Responses to question 5

Respondents noted that CTRS is perceived to be like its predecessor, Council Tax Benefit, as cumbersome with the need to produce notification letters at every change to entitlement. With UC this can result in an average of 13 changes per financial year so the associated costs of producing and posting CTRS notification letters is significant and causes an unnecessary amount of confusion for applicants. Consideration could be given to sending the first letter at the point of assessment and then relying on revised Council Tax bills to show the changed awards.

Consideration could also be given to introducing a tolerance for changes in awards. This would avoid multiple CTRS notifications and bills being issued for minimal changes as this is costly to the council and confusing for the taxpayer. It also affects enforcement activity in respect of Council Tax, if the person does not pay and bills are constantly being issued.

Others noted that with the transfer from legacy benefits to Universal Credit now accelerating that it could be an option to revisit a policy of fixed period awards for a set length of time. Another suggestion was to move away from detailed income assessments to income bands which may reduce the frequency of changes particularly in relation to UC assessments. Some also thought that those entitled to UC should be passported to CTRS, reducing the need to regularly reassess for those with variable incomes.

Some respondents commented that the constant changes to UC causes issues for household budgeting, and from a council point of view, is a processing burden and causes issues for the recovery of Council Tax in a timely manner. Although respondents noted there is not an easy answer to this issue, some analysis would be needed and perhaps a 3 month (or other agreed period) review of awards would be more appropriate.

A technical change was proposed to Regulation 28 that benefits listed should include UC. This would mean that CTRS could be processed for a person from abroad based on UC (as DWP should have already checked recourse to public funds and the right to reside) and remove the further barrier and time delay with an applicant having to provide proof that leave to remain has been granted.

Some respondents flagged the need to start afresh with the design of CTRS and create a simple scheme that is easy to understand and administer, in particular, considering how it will be administered and the software requirements etc, when the scheme is designed. This would ensure resources are used for Council Tax support rather than administering a complex archaic scheme.

As the broader Council Tax reform and revaluation proposals in Wales are to begin in 2028, some noted this provides an opportunity to consider the scheme design prior to the next revaluation. There are known issues with UC earnings cases with small changes, so thought should be given to simplification along with consideration of fixed period awards.

The importance of advice services was raised by respondents to raise awareness of different benefits, and to help people make claims and to challenge incorrect decisions. More could be done to help applicants who are over 65 such as framing policies aimed at this group. More could also be done to help those with disabilities and/or long-term health conditions.

Some suggested that all councils should use the same template for CTRS as some applications are much more complicated than others. Postal-only

applications take more time to be submitted and can get lost in the post which causes even more stress for the person and delays to awards. Conversely, some respondents asked that the Welsh Government should ensure all councils have alternative methods of applying for the Council Tax Reduction Scheme (other than online applications). This may help those who are digitally excluded or else have poor digital skills.

Consideration needs to be given to the design of CTRS to work with software suppliers to allow automation wherever possible, to reduce the need for manual assessment.

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

Responses to question 6

Most respondents believed that the proposals would have not have a positive or

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negative impact on the Welsh language. Application forms must be bilingual so there should be no negative impact on anyone attempting to understand the scheme or apply.

Some respondents did not believe the Welsh language should be promoted in this way. To save on costs some expressed a preference for receiving only printed material in English once they have expressed a language preference.

Another respondent thought the changes seem to only bring positive effects and applicants would still speak to the same revenues staff and can choose to speak in Welsh.

One respondent believed that the proposals provide for the statutory freedom of individuals to use Welsh in Wales. Any services associated should be available in Welsh in accordance with the requirements of the Welsh Language Standards. As organisations subject to the standards and implementing a comprehensive Welsh language policy, councils should ensure they are able to implement any changes in accordance with the local Welsh language requirements.

One respondent raised the issue that the Department for Work and Pensions document sharing process for Universal Credit is monolingual in English, and accepting the UC data share as a request may mean less contact in Welsh. The respondent requested greater cooperation from the DWP about this issue.

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?**

Responses to question 7

No substantive responses were received.

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.

Responses to question 8

Respondents thought there should be greater consideration of pensioners accessing CTRS and highlighted similar challenges for pensioners claiming Pension Credit. Concerns highlighted were reductions in the size of the pension-age cohort and that more research needs to be completed to understand and address this decline, as well as improve targeting of CTRS advice to pensioners.

Comments were raised about how self-employment income is calculated under

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UC, and whether this potentially results in Council Tax arrears. Some respondents felt there needed to be a more simplified and honest way to apply and implement Council Tax reduction in Wales, to reduce the risk of exacerbating mental health challenges for vulnerable people, citing feelings of significant despair that people can feel from regular threats of enforcement action.

Some respondents felt there was a need for more benefit officers to go to people's homes to complete benefit checks, and check if people could be entitled to disability benefits like Disability Living Allowance, Personal Independence Payment and Attendance Allowance, as this would enable more people to claim what they are entitled to.

Some respondents felt the way Council Tax arrears are dealt with can be outdated. Examples were provided about people continuously receiving amended Council Tax bills as a result of changing CTRS awards caused by a non-dependant's earnings changing, with claimants getting into a cycle of confusion with their bills and not knowing how much to pay. People can be left feeling worried to engage with the council on future payments and losing their right to pay in instalments.

Respondents welcomed the all-Wales scheme for its fairness and consistency across Wales. It removes the burden of having to design and agree a local CTR schemes. However, for councils to have more autonomy over local needs it was suggested having a fund similar to a Discretionary Housing Payment fund for Council Tax reduction to allow for local discretion when awarding CTRS based on individual cases.

The needs of those who are just above the eligibility threshold to claim UC and therefore not entitled to CTRS was raised, and that more should be done to help the working poor who are also struggling financially.

Finally, some respondents commented that capital rules in the calculations have

remained the same for some time, and it was suggested that ignoring any capital below £10,000 would reduce processing. In addition, increasing the maximum capital limit would have been beneficial to ensure that so many people do not miss out when their capital wealth reaches the current maximum.

Next steps

The Cabinet Secretary for Finance, Constitution and Cabinet Office made a [statement](#) on the way forward confirming the Welsh Government will make technical improvements to the Council Tax Reduction Scheme.

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