



CPAG IN SCOTLAND'S RESPONSE TO THE FAIRER COUNCIL TAX CONSULTATION

September 2023

The Child Poverty Action Group (CPAG) in Scotland works for the one in four children in Scotland growing up in poverty. We collect evidence from families living in poverty and campaign for solutions to bring about a society where children have a fair chance in life free from hardship. We provide training, advice and information on social security to frontline workers to make sure families get the financial support they need.

This is CPAG in Scotland's response to the *Fairer council tax consultation*

<https://www.gov.scot/publications/consultation-fairer-council-tax/documents/>

1. Do you think that council tax in Scotland should be changed to apply increases to the tax on properties in Bands E, F, G, and H?

Yes

- Local authorities play a key role in delivery of services that low-income households rely on, and have a key role to play in tackling child poverty. That is why we support these changes as they will provide further resources to local authorities. However, low-income households, who live in Bands E to H, and don't get council tax reduction will lose out. To ensure the additional burden does not fall on those least able to afford it, these changes must be accompanied by immediate changes to the council tax reduction scheme, and a commitment to reform local taxation.
- The current council tax system is not fit for purpose. There have long been calls to abolish the council tax system in Scotland. The Commission on Local Tax Reform was clear - 'the present council tax system must end' (*The Commission on Local Tax Reform: Volume 1 – Just Change: A New Approach to Local Taxation* 2015) and analysis, such as that done by the Institute for Fiscal Studies, shows that 'council tax is out of date, regressive and distortionary' (*Revaluation and reform: bringing council tax in England into the 21st century* 2020). The case for abolishing council tax is clear, and the government must commit to a complete and rapid overhaul of local taxation. Analysis by IPPR shows that around three quarters of all homes are now in bands A-D, including more than a third of the homes occupied by the richest 10 per cent of people. This means that people with some of the highest incomes in Scotland pay the least in council tax.

- Two years ago, the Scottish government committed to undertake an 'effective deliberative engagement on sources of local government funding, including council tax, that will culminate in a Citizens' Assembly'. The Scottish Government should now commit to working on a cross-party basis to replace the current council tax before the end of this parliament in 2026.
- Whilst we do support these proposals, they fall far short of the immediate action that could be taken to make the current council tax system fairer.
- As the consultation document notes, council tax reduction will reduce this additional liability for many households, and reduces inequality in the council tax system. However, alongside the increases to bands E to H, the Scottish government must look at how eligibility for council tax reduction needs to be expanded to support more low-income families.
- At present many families on low incomes are not eligible for council tax reduction. The Scottish government publishes data on the number of people claiming council tax reduction, and we are concerned that this number has fallen by 17 percent since the scheme began in 2013. There needs to be better understanding of why, over a period of rising poverty, claims for council tax reduction have fallen.
- During this period we have seen a rise in the number of families in poverty who are in work (from 54 percent in 2013 to 69 percent in 2022 - <https://data.gov.scot/poverty/#children>). Increases in income thresholds and higher allowance for children could provide additional support to many working households. Child tax credits payments could be disregarded and the way universal credit is treated could be modified to disregard the child elements to provide better support for low-income families. As part of the analysis of the proposed changes the Scottish government should also commission analysis to understand the costs, and impact, of making these changes to council tax reduction.
- During this period, we have also seen the introduction of universal credit. In the past people on low incomes, who needed assistance with their housing costs, made an application for housing benefit to their local authority. This was a joint application for housing benefit and council tax reduction. This meant that anyone applying for support for their housing costs was usually also assessed for eligibility for council tax reduction. Housing costs are now normally included in awards of universal credit – so people getting universal credit have to make a separate application to their local authority for council tax reduction unless a local authority uses its power to treat a universal credit claim as an application for council tax reduction. Research needs to be carried out to understand the extent to which this has impacted take up of council tax reduction.
- Local authorities have the power to treat a claim for universal credit as claim for council tax reduction claim, and they should use this power. Nonetheless, in order to establish a rights-based approach, it is important to enshrine this procedure into law, which can be done relatively easily. This would ensure all claims for universal credit in Scotland are also treated as a claim for council tax reduction. The Scottish government should amend regulation 24 of The Council Tax Reduction (Scotland) Regulations 2021 to put a **duty** on local authorities to treat a universal credit claim as a claim for council tax reduction. This would help ensure that take up of council tax reduction amongst universal credit claimants is as high as possible.
- Local authorities should also use data from Scottish welfare fund applications and other low-income benefits they administer to identify families who may be entitled to council tax reduction, and help them to make claims.
- Council tax arrears persistently pose challenges for low-income households. We know from our work with partners in the money advice sector that council tax arrears are one of the most common priority debt they encounter. Due to low levels of awareness of the availability of council tax reduction, and the complexity of entitlements, many households with council tax arrears have missed out on the council tax reduction they are entitled to.
- Allowing greater backdating of council tax reduction would allow many low-income households to reduce their arrears. The Scottish government should immediately change the rules to allow claims for

council tax reduction to be backdated for 6 months for all eligible claimants, without the need to show 'continuous good cause' for failing to apply sooner. They should also undertake analysis to understand if 6 months is sufficient, or if a longer period of backdating is needed to ensure households get the support they need.

Client has been awarded council tax reduction, but backdating has been refused - local authority say that he doesn't have continuous good reason. The reason he didn't claim sooner is that he didn't know he was entitled. English is not his first language. #1761 (22/8/23)

Note : The case studies included in this response come from CPAG in Scotland's [Early Warning System](#) which collects and analyses case evidence from our second-tier advice line and frontline advisers.

- Deductions may be taken from social security benefits to repay council tax arrears and other debts. An accumulation of deductions can reduce the benefit to be paid considerably, causing ongoing financial hardship. We are hearing from money advice services that some local authorities are quick to escalate the collection of council tax arrears, passing cases to sheriff's officers and using forceful collection tactics. This can cause financial hardship and distress to many households, particularly for low-income families. This consultation is an opportunity to review practice around how council tax arrears are collected - in particular for low-income households, moving to a trauma informed practice that acknowledges that council tax arrears rarely exist in isolation and can signpost to bigger issues within households.
- Another issue with council tax reduction arises as local authorities are not under any obligation to provide council tax reduction decision letters – any reduction is usually noted on the annual council tax bill. This means that householders are not always aware of any decisions about council tax reduction.

Unbeknownst to her, a woman's council tax reduction stopped when she moved from housing benefit to UC. She has just been notified that she has £3000 council tax arrears by sheriff officers. The local authority advised her to re-claim council tax reduction but it can only be backdated for six months. She also cannot request a review of the decision ending the council tax reduction in the first place as request must be made within two months of the decision and this cannot be extended under any circumstances. #471 (19/4/21)

Had the council tax reduction system been more flexible in terms of backdating and requesting reviews, the woman's council tax liability could have been reduced, instead, despite meeting the criteria for a full council tax reduction, she is left with considerable council tax arrears.

- Council tax reduction calculations are hugely complicated. Even experienced welfare rights officers find it difficult to unpick whether householders are receiving the correct entitlement, particularly in the absence of decision letters. At present there is no obligation on local authorities to provide decision letters.

A man should be getting full council tax reduction but the local authority is mistakenly treating an additional amount of UC that he gets paid as income and reducing the council tax reduction accordingly. The additional amount of UC is to compensate for the loss of the severe disability premium that was paid in the benefits the man was getting before he moved to UC. The council tax reduction regulations were updated to accommodate these additional payments but the Scottish Government does not issue guidance to local authorities to make it easier for staff administering council tax reduction to understand the regulations, so errors like this are not uncommon. #593 (28/4/21)

- The Scottish government should amend the council tax regulations to ensure that all council tax reduction claimants receive a decision notice, making their entitlement clear and their right to a review, if they feel the calculation is incorrect. However, even if a claimant is aware of their right to request a review, the lack of any flexibility of the time limit to request a review mean that they can still miss out on the reduction they would be entitled to.

A woman's UC and council tax reduction stopped after her leave to remain expired in January 2022. UC and council tax reduction mistakenly raised overpayments going back two years before her leave expired. She was slightly late requesting a review of the council tax reduction decision because she was worried about submitting any requests in case it impeded her new leave to remain application. The local authority had to refuse her request for a review because it was outside the 2 month deadline. #1633 (10/8/23)

Social security benefits (including those delivery by the DWP, HMRC and by SSS) have time limits for requesting reviews – but these time limits can be extended in many circumstances. The council tax reduction regulations should be amended to allow the time limit for requesting a review to be extended.

- We have previously called for a reduction in water charges for those entitled to council tax reduction. Currently those who receive council tax reduction receive a reduction of up to 35% of their water and sewerage charges. Therefore, the lowest income families must still pay 65% of the water and sewerage charges. As these are the lowest income families this often leaves them in financial difficulty or with arrears. Collection of these relatively small sums causes additional expense for local authorities and can cause families distress and exacerbate existing debt problems. Changes could be made to the reductions to water and sewerage charges that would allow the reduction in water charges to match the reduction in council tax. Claimants who receive 100% council tax reduction could also receive 100% water and sewerage charge reduction. Analysis by IPPR in their paper *Universal basic services: Building financial security in Scotland* suggest this would cost £30m. <https://www.ippr.org/research/publications/universal-basic-services-scotland>. This cost could be recovered by increasing the water charges paid by those living in the higher council tax bands.

2. **The proposal is to increase the council tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively. Do you agree with the levels of increase set out in this proposal?**

- Don't know

4. **, When should any increases be introduced if the tax on higher band properties is increased as proposed?**

- Full effect from 2024-25

5. **Should the council tax reduction scheme be expanded to protect those on lower incomes from any increases to higher band properties?**

- Yes

6. **The proportion of properties in each valuation bands E - H varies across the country. This means that some councils would benefit more than others from any increases in council tax in these property bands. Should steps be taken to ensure that all councils benefit proportionately from this policy?**

- Yes

- But this must be done in such a way that does not disadvantage the lowest income areas.

7. Please tell us how changes to council tax rates for properties in Bands E, F, G and H might impact you, or the people your organisation represents?

- Local authorities play a key role in delivery of services that low-income households rely on, and have a key role to play in tackling child poverty. According to the consultation, the proposals would raise an additional £176 million – if these additional funds can be used to help tackle child poverty they could have a positive impact on child poverty levels in Scotland, and help Scotland reach its statutory child poverty targets.
- However, low-income households, who live in Bands E to H, and don't get council tax reduction will lose out. To ensure the additional burden does not fall on those least able to afford it, these changes must be accompanied by immediate changes to the council tax reduction scheme, as outlined in Q1, and a commitment to reforming local taxation.

8. Please tell us how you think changes to council tax rates for properties in Bands E, F, G and H would affect your local area, or Scotland as a whole (please consider social, economic, environment, community, cultural, enterprise impacts that you think are relevant)?

- Yes - current problems with the council tax reduction scheme (see Q1) scheme could be exacerbated for those who live in higher band properties but who have low incomes. Council tax reduction should be reformed at the same time as the changes to council tax rates.
- In the consultation documents there are no details of the way the council tax reduction scheme will be expanded to protect those on lower incomes from any increases to higher band properties. The details of this scheme need to be consulted on to understand the impact on low-income households. There are concerns in the way the scheme currently works.

9. Please tell us how you think changes to council tax rates for properties in Bands E, F, G and H might affect Island Communities

10. Do you think there would be any equality, human rights, or wellbeing impacts as a result of the proposed increases in council tax rates for properties in Bands E, F, G and H? Please tell us what you think these impacts would be.

- The EQIA should be published alongside the consultation to allow respondents to comment on it. Unless additional changes are made to the council tax reduction scheme (see Q1) there is a danger that, due to the inherently regressive nature of council tax, some of the lowest income households end up paying more.
- There also needs to be a greater understanding of take up rates of council tax reduction, so we know how many people are not receiving the support they are entitled to. This is needed in order to undertake a fuller impact assessment of the proposals.
- People subject to immigration control (PSIC) could be negatively impacted by these policies. Even PSIC with very low incomes can have 'no recourse to public funds'. The council tax reduction scheme is considered a public fund, so some PSIC, or their families, could face greatly increased council tax bills, yet be unable to access any additional help. The Scottish government and COSLA should explore how

these households can be supported.

Note: Even if someone with access to public funds would be eligible for council tax reduction, applying for it might impact on future leave applications made by their family members with 'no recourse to public funds' because nothing in the rules allows the local authority to not award additional amounts in respect of the PSIC. This may mean they are unable to claim council tax reduction, even if they would be eligible for it. So even people who are able to access public funds could be negatively impacted by this proposal.

Husband is getting UC paid as a single person as his wife has no recourse to public funds. He did apply for council tax reduction but was advised that the application could have a detrimental impact on his wife's application to have her visa extended in two years' time. This is because he would inadvertently receive more council tax reduction because she is in the house than he would if she was not. If he lived alone the single person discount would be applied and council tax reduction would only be required for 75% of the bill. The husband has cancer and no way of paying the council tax from his universal credit. #50 (6/4/23)

A couple have no way of paying their council tax as one has no recourse to public funds and the other is an asylum seeker. Neither have permission to work in the UK. #301 (27/04/23)

A woman who is in the UK on a spouse visa fled domestic abuse and is currently in temporary accommodation. She has no recourse to public funds so she has no means of paying the council tax. There is no exemption on grounds of immigration status. #997 (23/6/23)

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