

Senedd Local Government and Housing Committee

Inquiry into the Local Government Finance (Wales) Bill

Response by the Bevan Foundation

The Bevan Foundation is Wales's most influential think tank. We create insights, ideas and impact that help to end poverty, inequality and injustice in Wales. As a registered charity we are independent of government and political parties, funded by charitable trusts and foundations, donations, and trading as a social enterprise.

We welcome the opportunity to contribute our views on Local Government Finance (Wales) Bill. We appreciate that the Committee is considering the legal aspects of the bill and not its provisions, but nevertheless we want the Committee to be aware that we are disappointed that the Bill does not introduce larger reforms as we, and many others, have urged.

Our specific comments relate Council Tax, and in particular discounts and reductions.

The context

Through Council Tax, households are contributing a growing amount – in cash and as a percentage of revenue - to the cost of local authority services in Wales. Because of the way that tax rates are applied to different Council Tax bands, the burden of Council Tax falls disproportionately on households in lower-value homes – often those with low incomes. In addition, areas with low tax bases – often areas where incomes are relatively low - have to levy higher rates of tax to raise the same amount of revenue. The combined effect is that low-income households have borne the brunt of recent trends in the financing of local government.

The Bevan Foundation wants to see a system of financial local government that is fair and proportionate to households' ability to pay. If Council Tax is to continue, then it is vital that there is an adequate and effective system in place to help households on low incomes.

Council Tax Discounts and Reductions as part of a Welsh Benefits System

Council Tax, and its associated discounts and reductions, have a key role to play supporting low-income households, both alone and as part of a broader Welsh Benefits system. The Bevan Foundation has proposed that seven means-tested, devolved grants and allowances should be brought together into a streamlined, coherent and easy-to-access system. The Welsh Government has supported the idea of a Welsh Benefits System, and as a first step is making arrangements to bring together three local authority schemes – Council Tax Reduction, Free School Meals (FSM) and School Essentials Grant (SEG). We understand this is to be voluntary.

We are very disappointed that the Welsh Government has not taken the opportunity of this legislation to put the proposed changes to Council Tax Reduction at the centre of a new Welsh Benefits system. This could be a way of ensuring that all local authorities in Wales ensure that every eligible household receives the Council Tax reduction to which it

is entitled, and that households that are also eligible for FSM and / or SEG receive them without the need for a separate application or provision of duplicate information.

Changes to Council Tax reduction, discounts and disregards

We welcome the Bill's provision to change the restrictions in the 1993 Act, giving greater flexibility to design schemes that better meet the needs of people in Wales. We also welcome the reviews underway of both the reduction scheme and discounts and disregards.

However, given that the reviews could result in potentially very substantial changes to both schemes which would affect a large number of households in Wales, we are concerned that the changes would be via subordinate legislation. We consider that the principles of any new schemes should be debated by the Senedd, with subordinate legislation addressing matters of detail such as thresholds.

We are also concerned that the bill perpetuates the confusing distinction between 'discounts' and 'reduction' to Council Tax, which have the same meaning to most people. This confusion results in people not receiving their full entitlement - we have worked with people who only receive a 25% single person discount believing that is all they are entitled to, yet appear to be entitled to 100% reduction via CTRS because they receive Universal Credit). This contributes to financial hardship, debt and arrears.

We hope these comments are helpful to the Committee's deliberations.

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