# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales – Interim Report** |
| **DATE**  | **09 January 2020** |
| **BY**  | **Rebecca Evans AM, Minister for Finance and Trefnydd** |

Today, an interim report by Policy in Practice, *Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales*, has been published on the Welsh Government’s website. The report was commissioned by the Welsh Government as part of a suite of research relating to local taxation in Wales.

[https://gov.wales/universal-credit-council-tax-reduction-scheme-and-rent-arrears-wales-interim-report](https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgov.wales%2Funiversal-credit-council-tax-reduction-scheme-and-rent-arrears-wales-interim-report&data=02%7C01%7CJohn.Broomfield%40gov.wales%7C4f70fd62d81746d1cdc008d79353d97c%7Ca2cc36c592804ae78887d06dab89216b%7C0%7C0%7C637139860867194067&sdata=v3OlYHFDlMNnAtWM1C2K6vF9i7PBfwqHpQcbeaVMrws%3D&reserved=0)

The Council Tax Reduction Scheme is a national scheme in Wales which provides direct financial support to almost 280,000 low-income households, reducing their council tax bills. Since the introduction of our scheme in 2013-14, we have continued to protect vulnerable and low‑income households by maintaining full entitlements to support. This means that in 2019-20, approximately 220,000 households continue to pay no council tax at all. The scheme makes a significant contribution to tackling poverty and helps to safeguard vulnerable people from getting into financial difficulty, often as a result of regressive UK government welfare reforms.

In addition to creating a single scheme for Wales, the Welsh Government made up the 10% funding cut that accompanied the UK government’s decision to devolve Council Tax Benefit in 2013-14. As the interim report references, this fairer approach helped to prevent rent arrears increasing in Wales at a time of ruthless UK imposed austerity.

In England, local authorities have had to design their own reduction schemes. As a result, council tax support varies by authority and over three million low-income households are faced with having to pay more of their council tax bill.

The Council Tax Reduction Scheme is not part of the UK benefits system, though eligibility for the scheme is closely linked to it. As a number of benefits, including Housing Benefit, are gradually being replaced by the UK Government’s Universal Credit, it is important we understand the effects of this on devolved support for council tax bills, so that our scheme can continue to be targeted towards the people who need it most. In addition, research about the impact of Universal Credit on rent arrears will help to provide a valuable evidence base to help us understand in more detail wider impacts on households.

In January 2019, I commissioned research by Policy in Practice to shed light on some of these issues. This research is a year-long study which utilises a significant amount of detailed analysis to track the circumstances of households in Wales. The empirical work is supplemented by new qualitative research into the experiences of Universal Credit claimants, tenants, advice services, local authorities, housing associations and private landlords. The findings are important for us, for local authorities and for a range of other organisations and advice services.

The Interim Report published today focuses on the first stage of this important research – the impact of Universal Credit on the Council Tax Reduction Scheme. It discusses ideas for reducing some of the impacts of Universal Credit on council tax reduction awards in the future. The final report incorporating qualitative research, due to be published later in the year, will further explore the impact of Universal Credit on the Council Tax Reduction Scheme and also on rent arrears.

The interim report shows that, for many households, the move to Universal Credit can have a significant impact on council tax reduction awards. Households currently receiving a 100% council tax reduction because they have no income will continue to do so. However, for others, the move to Universal Credit is shown to have an adverse impact, particularly for employed households, self-employed households, and working households in receipt of a Disability Living Allowance or Personal Independence Payment.

Should the current Council Tax Reduction Scheme be retained in its current form into 2021-22, early findings suggest support for employed households in receipt of Universal Credit could reduce on average by 12%, whilst self-employed households are estimated to see average reductions in council tax support of around 80%. A similar observation is seen for working households in receipt of Disability Living Allowance or Personal Independence Payment who migrate to Universal Credit. For this group, average support is estimated to reduce by 22%.

The report reminds us that some of these households may not be worse off financially, as they may receive more support under Universal Credit and therefore be assessed as needing less support with their council tax. Nevertheless, this is crucial information for the Welsh Government as it may be possible to amend our Council Tax Reduction Scheme in future years to mitigate the negative impacts on certain groups. By the end of the research project, local authorities will also be able to understand impacts in more detail within their own areas, and this will help to inform local measures to draw households onto the scheme.

In March 2019, the Welsh Government also published *Analysis of the impact of the UK Government’s welfare reforms on households in Wales* bringing together the key statistics, analysis and evidence on the impact of implemented and proposed welfare reforms in Wales.

<https://beta.gov.wales/impact-welfare-reform-households-wales>

The Welsh Government will continue to take a cross government approach to tackling poverty and mitigating the impact of regressive welfare reforms.

The interim report also presents early analysis on possible adjustments to the current Council Tax Reduction Scheme which could restore parity between households in receipt of legacy benefits and Universal Credit. We will now consider the report’s findings in more detail, in partnership with local authorities, advice agencies and the Welsh Local Government Association, to inform the next stages of the research and policy development in this area.

I am pleased to publish this interim report today which increases our knowledge about the circumstances and experiences of different households across Wales. This research is one strand of work within our broader programme of reforms to local taxation and the wider local government finance system. I published a progress update on this work programme on 5 November 2019, which can be accessed via the following link:

[https://gov.wales/reforming-local-government-finance-annual-updates](https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgov.wales%2Freforming-local-government-finance-annual-updates&data=02%7C01%7CJohn.Broomfield%40gov.wales%7C4c263bc80756430c7d5108d74e2f187c%7Ca2cc36c592804ae78887d06dab89216b%7C0%7C0%7C637063836484801283&sdata=AJ7V%2Fl4MbN3jvkOOa5%2FUEawjOQO8VdPlbDKFAuPVRgU%3D&reserved=0)