

## Citizens Advice briefing: The potential impact of Coronavirus on council tax arrears

### *What needs to change?*

It is welcome that some individual Local Authorities are making what provision they can to assist those who are currently struggling to pay their Council Tax. However, a crisis on this scale requires a national response. Citizens Advice has recommended that the Welsh Government provide additional funding to Local Authorities to **offer a 3 month council tax holiday for those who cannot afford to make payments**. This would immediately reduce the costs that families are facing and free up income for those who have lost their jobs or are unable to work.

At a minimum, we recommend that the Welsh Government asks Local Authorities to immediately suspend all enforcement action for council tax arrears and be prepared to cover the losses that councils may face as a result.

Whilst the outbreak of coronavirus in the UK has recently forced many households into financial hardship, the crisis is also exacerbating existing financial difficulties for people in Wales. At Citizens Advice, we know that people prioritise household bill payments, such as council tax, and where they struggle to keep up with regular bills this often signifies financial hardship.

### *How many people are already struggling to pay their council tax?*

Our polling of adults in Wales (conducted before the effects of the Coronavirus were being felt) found that 1 in 7 (15%) people liable for council tax said they had missed one or more payments in the past two years.

In addition to this, nearly a quarter (23%) of Welsh adults liable for council tax said they found it 'difficult' or 'very difficult to keep up with council tax payments, although they had not missed a payment in the last two years.<sup>1</sup>

People who do not have a steady income are significantly more likely to have missed one or more council tax payments. More than a quarter (28%) of people

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<sup>1</sup> Figures are derived from an online survey commissioned by Citizens Advice and carried out by YouGov. Total sample size was 1002 adults. Fieldwork was undertaken between 27th February - 2nd March 2020. The survey was carried out online. The figures have been weighted and are representative of all Welsh adults (aged 18+). The information presented is an initial analysis carried out by Citizens Advice - we ask that they not be shared publicly without prior permission.

who report that their income changes 'a lot' or 'a fair amount' from month to month also reported having missed a council tax payment. Income from self-employment and casual labour is more likely to fluctuate and may leave people vulnerable to arrears.

Other vulnerabilities or responsibilities may also leave people at a higher risk of missing payments. These include those in the private rental sector, single parents and people living with a mental health condition. People who reported having a mental health condition which limited their day to day activities are three times more likely to say they had missed a council tax payment (27%), compared to 9% of those who did not have a limiting mental health condition.

It is clear that existing financial difficulty will be exacerbated by the outbreak of coronavirus and the impact this is having on business and employment- leading more people than ever to miss important payments.

#### *What impact will Coronavirus have?*

As individuals, public services, and businesses change their behaviour to help delay the impact of coronavirus, the way people live (and so spend money), will change dramatically. Many people will not be able to go to work and will lose the ability to provide for themselves and their families.

Although we do not yet know how the crisis will unfold, we are already seeing the impact on people across England and Wales. Applications for Universal Credit over the past few weeks were 8 times higher than average.<sup>2</sup>

We are also seeing a growth in demand for advice. In the second week of March, visits to Citizens Advice online advice were up more than 50% on the same period the previous year as people sought information about what the pandemic meant for their lives. Views of pages that give advice on redundancy were 5 times higher than the previous year, whilst content on coronavirus, sick pay and access to benefits were the most viewed pages. In Wales, the number of people Citizens Advice helped with employment issues during the week beginning 16th March was twice as high as two weeks previously.

Coronavirus is having a significant impact on people's employment and income, and this will inevitably lead to larger numbers of people struggling to keep up with council tax payments.

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<sup>2</sup> Mirror, '[Coronavirus sees 500,000 Universal Credit claims in 9 days](#)' (accessed 25 March 2020)

### **Case Study: single parent who has been made redundant as a result of Covid-19**

A client contacted a Citizens Advice adviser this week as she is facing redundancy as a result of the Covid-19 crisis and will see a significant decrease in her household income. She has a child who is 2 years old and a mortgaged property - she is now concerned that they will be at risk of losing their home or unable to sustain the household financially. The client was distressed as the financial help available to her will not be enough to cover the household costs and she does not know how she will maintain essential payments.

*What impact will this have on the Council Tax Reduction Scheme?*

This month, households across Wales will be receiving their annual council tax bill. As more people face financial uncertainty, there is a high likelihood that more households will be at risk of missing payments. We welcome the continued support Welsh Government has offered to people in Wales through the Council Tax Reduction Scheme (CTRS) since 2013. However, in this time of crisis there is a significant risk that this support will not adequately protect people.

- **Awareness of the CTRS is not necessarily very high.** Only half (50%) of people in Wales think that someone claiming Universal Credit would be entitled to a reduction on their council tax. If people are to rely on CTRS to help them to manage their finances during this time, it is concerning that so few are aware of CTRS eligibility.
- Furthermore, at the peak of the crisis, **there's a risk that Local Authorities will be less able to prioritise processing large numbers of applications**, especially if working with reduced services or administrative capacity during highly pressured periods. The time needed for councils to assess claims, consider exemptions and discounts and process applications risks delaying much needed support for people and placing further pressure onto their stretched services.
- **Many people many not proactively apply for a reduction.** Large numbers of people are facing unprecedented disruption to their lives, including the loss of employment. Many will have urgent demands on their time, such as looking after children, applying for income-replacement benefits like Universal Credit or Statutory Sick Pay, or caring for vulnerable people in their communities. There is a particular

risk for those who are digitally excluded or less able to navigate council services, and who may be less able to rely on family or friends for help.

In addition, research has shown that the perceived value of a benefit is strongly related to the likelihood that people will make a claim.<sup>3</sup> As the value of Council Tax Reduction is calculated according to an individual's costs and income, it is difficult for people to know in advance what their reduction will be worth. There is a risk that this is further complicated by the uncertain circumstances which many employees and self-employed people are currently facing, where it might be difficult for them to evidence their current income.

Our recent poll found that a quarter (25%) of adults in Wales said they would not be able to manage for more than 2 weeks if they lost their main source of income. It is important that people whose income is affected by the crisis have certainty about what they will need to pay to cover their priority costs (i.e. housing, food, bills and council tax) and the consequences if they are unable to do so.

#### *How can Welsh Government respond?*

In light of the financial uncertainty that people face in the coming months and the impact of Covid-19 on the capacity of Local Authorities, it is crucial that Welsh Government offers the necessary support to both individuals and councils. To protect people who will struggle to keep up with household bills as a result of illness, self-isolation or unemployment, Citizens Advice recommends that:

- The Welsh Government provides additional funding to Local Authorities to **offer a 3 month council tax holiday for those who cannot afford to make payments.**
- At a minimum, the Welsh Government asks Local Authorities to immediately suspend all enforcement action for council tax arrears and be prepared to cover the losses that councils may face as a result.

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<sup>3</sup> Learning and Work Institute, [Take-up of benefits and poverty: an evidence and policy review](#), 2014