



Government response to the
Levelling Up, Housing and Communities
Select Committee report on
Council Tax Collection

Presented to Parliament by the Secretary of State for Levelling
Up, Housing and Communities by Command of His Majesty

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Government response to the Levelling Up, Housing and Communities Select Committee report on Council Tax Collection

Introduction

1. The Government welcomes the Levelling Up, Housing and Communities Committee's report that was published on 1 December 2023 following its inquiry into the collection and enforcement of council tax in England. We are grateful to the Committee and all those who provided evidence to it.
2. This document mirrors the structure of the Select Committee report, it sets out the Committee's recommendations and the Government's response is set out underneath. The text taken from the Select Committee report is highlighted in bold.

The statutory regime for collecting council tax

The full balance becoming payable.

Recommendation: We strongly urge the Government to clarify the provision in the Council Tax (Administration and Enforcement) Regulations 1992 that requires the unpaid balance to become payable in certain circumstances. If local authorities do, under this provision, have the discretion not to require immediate repayment of the full unpaid balance, the Government should make this much clearer, either by updating the regulations or by amending the best practice guidance by the end of this Parliament. (Paragraph 16)

In addition, by the end of this Parliament, the Government should amend existing regulations to enshrine in law the principle that collection should be based on a resident's ability to pay, including by requiring local authorities to offer people affordable repayment plans when an unpaid balance becomes payable. (Paragraph 17)

Government's response:

The Government notes the Committee's view on amending regulations on the collection of council tax and making it clear that councils have the discretion to provide a longer period before requiring repayment of the full unpaid balance.

For the great majority of taxpayers, the council tax system operates smoothly and effectively. There may be times when households may face difficulties in paying their bills, including council tax. The Government acknowledges the concerns raised by the Committee that the regulations are drafted in a way that encourages councils to take rapid action.

Council tax provides a vital contribution to the cost of delivering quality public services, from caring for vulnerable residents to keeping the streets clean and safe. The efficient collection of council tax enables councils to make these broad range of services available to the local community.

The framework provides an effective system to enable councils to collect council tax, whilst providing opportunities for residents to get in touch with their council where they may be facing hardship. There is a clear structure in place in these circumstances and the regulations set out a minimum framework for sending out statutory notices. If a resident misses a monthly payment and does not respond to a bill, the council will send a reminder notice giving residents a minimum of seven days to pay. If the resident does not make payment or contacts the council to notify that they are facing hardship and unable to pay their council tax bill, then the resident may lose the right to pay by instalment and the full year liability may become due. There is no requirement or restrictions that require councils to only provide seven days between a missed payment and the full year liability becoming payable.

The powers are permissive and councils are free to make their own judgements as to what action they may consider appropriate. For example, during the pandemic several councils reflected on the impact the pandemic had on some council tax payers' ability to pay their bills and chose to issue "soft reminders" rather than statutory notices, such as sending reminders that 'signposted' support available and contact details for debt advisers. Some councils also chose to increase the time period between a resident missing an instalment for their council tax and issuing a reminder notice, in recognition that households may be struggling to pay. This opened a channel of communication between the resident and the council and enabled residents to get support to stay on top of payments so that they do not risk losing the right to pay by instalments.

Every council is required to have a locally-designed Local Council Tax Support (LCTS) scheme to protect residents facing financial hardship. This empowers councils to take into account their local circumstances and tailor their working age support offers accordingly. This year, the Government provided £100m of additional funding for councils to support the most vulnerable households in England with their bills this year. This funding allowed councils to deliver additional support to the 3.8 million households already receiving council tax support, while also providing councils with the resources and flexibility to determine their own local approaches to supporting other vulnerable households within their area. The Government has no plans to change the arrangements regarding local council tax support.

The Government will write to all councils to stress that councils have the discretion to provide a more flexible timeline than those set out in regulations, before requiring full repayment of the full unpaid balance and to encourage councils to offer an affordable repayment plan.

Liability orders

Recommendation: The process for obtaining a liability order is inefficient and can hinder, rather than aid, the collection of unpaid council tax. We therefore strongly recommend that the Government make the liability order process less burdensome, including by allowing bulk applications, virtual applications, or both, so long as residents remain able to raise objections. (Paragraph 21)

Government's response:

Magistrate courts have dealt with council tax applications in bulk since its inception in 1992. An in-depth review by HM Courts and Tribunals Service (HMCTS) in 2019-2020 confirmed that courts on average deal with lists of several hundred.

Virtual proceedings are lawful in magistrates' courts civil proceedings. The court can make a direction for a live link hearing where the court is satisfied that it is in the interests of justice. During the covid emergency, all council tax hearings were conducted this way. There has been a return to in person hearings since the end of lockdown, but the option of a virtual hearing remains available. Under the current rules, a direction must be made for each case by a member of the judiciary or a legal adviser.

Imprisonment

Recommendation: The Government should amend existing regulations by the end of this Parliament to replace the sanction of imprisonment with more suitable deterrents, such as bank arrestment or community service. (Paragraph 28)

Government's response:

The Government notes the arguments on this issue made by the Committee. The Government would like to assure residents that imprisonment in relation to the non-payment of council tax would only be used in cases where the debtors are able to pay but choose not to pay. The reality is that the power is used extremely rarely and only for those who have the ability to pay. No one has spent time in prison for non-payment of council tax as their main offence since 2018. Data on the number of non-criminal admissions to prison for non-payment of council tax, covering the period 1990 – 2022, can be found in Table A2.12 at the following link: https://assets.publishing.service.gov.uk/media/655cdf24046ed4000d8b9da7/Receptions_2022.ods.

The difference in the numbers of committals ordered by the courts and those who spend time in prison is generally due to those sentenced to imprisonment making payments or agreeing repayment plans before reception.

This sanction is not intended to penalise those who are unable to pay. There is a system in place to protect residents and the courts will assess each case based on its specific circumstances. Before being committed to imprisonment, the courts must be satisfied there is "wilful refusal" or "culpable neglect" in the non-payment of council tax bills.

The payment of council tax is critical to the delivery of local services to the local community and the ultimate risk of imprisonment for wilful non-payment is a tool that can assist councils in getting residents to engage and to assist councils in council tax collection.

Supportive council tax collection

The Department's best practice guidance

Recommendation: We recommend that the Government replace the council tax collection best practice guidance with a statutory code of practice, to which local authorities would have to have regard. Among other things, this code of practice should set out what steps local authorities should take before applying for a liability order, including the making of affordable repayment plans in which the unpaid balance is spread over the year. If the Government does not do this, it should say why not when it responds to our Report, and explain what measures it will implement to ensure best practice is followed. (Paragraph 48)

Recommendation: We urge the Government to direct local authorities to give it extra careful consideration before using enforcement agents against those in receipt of council tax support and in all cases to demonstrate they have exhausted alternative collection methods before resorting to enforcement agents. (Paragraph 63)

Government's response:

The Government notes the Committee's views on introducing a statutory code of practice. There is a clear structure in place for councils when administering the collection of council tax. The current process in place means that the resident will receive at least three statutory communications before enforcement action can be taken. Under this framework a resident will receive a reminder and/or final notice for payment, court summons, and notification that the liability order has been granted; providing the resident with opportunities to get in touch with the council before and after a missed payment to discuss their circumstances. Furthermore, the statutory framework enables councils to consider whether to agree alternative repayment arrangements and assess whether the resident is entitled to, or in receipt of, council tax discounts or reductions when determining next steps for the collection of outstanding council tax bills.

Councils are free to take additional steps before moving to enforcement action. For example, several councils have already chosen to sign up to the "collection of council tax arrears good practice protocol", published by Citizen Advice in collaboration with the Local Government Association. The protocol includes steps councils can take to offer flexible payment arrangements and highlights that recovery actions should be referred to councils where vulnerability has been identified.

There is flexibility in the system for payment. Payment of council tax is usually apportioned into ten monthly instalments across the financial year. Residents have a legal right to request payments are made over 12 months instead of ten. There is no legal requirement that the tax must be collected in-year, however timely payments and collections are clearly preferable to avoid households dealing with multiple years of council tax charges. However, there may be situations where a council decides that it is more appropriate to agree a longer term of repayment, which can be more than one financial year. The Government supports councils in offering this flexibility where they consider circumstances to be appropriate.

The collection of council tax is the responsibility of local authorities, and it is open to them to adopt alternative approaches. The Government published guidance in 2013 and 2021 to assist councils in the collection of council tax and has no plans to replace guidance with a statutory code of practice. The Department of Levelling Up, Housing & Communities keeps the guidance on council tax collection under review in light of developments in debt collection practice.

Enforcement Conduct Board

In preparation for this review, we recommend that the Government start to collect the necessary data, so that it has a strong evidence base on which to make a decision, and that it keep us updated on the progress of the review. In the meantime, it should require all local authorities only to employ enforcement agencies registered with the Enforcement Conduct Board. (Paragraph 65)

Government's response:

The Government broadly agrees with the Committee's recommendation. The Ministry of Justice remains committed to reviewing the effect of the Enforcement Conduct Board (ECB) to decide whether statutory underpinning is required, with work underway to prepare for the review's launch. Once launched, the Ministry of Justice will update the Committee on the review process, which will include the methodology of data collection.

The Government is already encouraging enforcement firms to seek accreditation from the ECB and for creditors to use accredited firms. So far, over 40 firms have been accepted for ECB accreditation, covering at least 95% of the annual volume of debts enforced by civil Enforcement Agents in England and Wales. The Government will continue to encourage creditors, including local authorities, to use ECB-accredited firms. The Department for Levelling Up, Housing & Communities will also write to local authorities to encourage councils to use firms who are accredited with the ECB.

Data collection

Data sharing

Recommendation: The Government should not wait for local authorities to approach the Cabinet Office to learn how they can make better use of data sharing, but instead create an environment where this happens easily and consistently. We recommend that:

- **an application for universal credit automatically trigger an application for local council tax support;**

The Government does not agree with the Committee's recommendation that an application for universal credit automatically triggers an application for local council tax support. Council tax support schemes for working age people are designed by individual billing authorities following consultation, and reflect local circumstances. People who are entitled to Universal Credit may not be entitled to council tax support (and vice-versa). Putting in place a process triggering automatic applications risks creating additional bureaucracy and cost for local authorities, as well as confusion for council tax payers. In view of this, the Government believes that the existing locally led approach to council tax support applications should be maintained. The Government has published information on support for housing and other living costs (including Universal Credit and local council tax support) which can be found under the page "Benefits and financial support if you're on low income".

- **the memorandum of understanding between HMRC and DWP be reviewed so that council teams can share relevant benefits data with their council tax teams;**

The Government broadly agrees with the Committee's recommendation and welcomes the Committee's views on improving information sharing between central and local governments. Recognising that there are constraints that prohibit greater data sharing within the current legislation, the Government is looking at options to remove these barriers.

DWP already shares a huge amount of data with councils, with 28 data shares in place compared to eight data shares in 2015. These cover a wide range of data sets, for example allowing councils to access DWP's Customer Information System, which can help councils identify residents in hardship.

DWP are engaging with councils on improving data shares, by:

- increasing the scope of data in its MOUs with councils (including data on local council tax support and the data councils receive daily on Universal Credit changes)
- maximising what councils can do within current legislation;
- delivering improvements to data shared, with a large batch of improved data due to be shared with councils before the end of March 2024, and the rest expected by summer 2024;
- ensuring councils are aware of these improvements, with national communications to councils and with 40 councils involved in a working group that helped to design the changes; and
- exploring the possibility of amending data sharing legislation to allow more data sharing with councils.

With regards to data held by HMRC, the Commissioners for Revenue and Customs Act sets out that any disclosure of information must be necessary and proportionate and any wrongful disclosure identifying customer information is underpinned by a criminal sanction. However, there are a number of exceptions to the general restrictions on the disclosure of information, which allow HMRC to share information, including with councils, in prescribed circumstances. These include where:

- disclosure supports HMRC's functions;
- the taxpayer has consented to disclosure ; and
- where there is a statutory information sharing 'gateway' in place.

HMRC understands the value of the taxpayer data it holds and protects, and where legislation allows, will continue to disclose information to other public bodies to help streamline public services and improve the lives of the millions of UK citizens.

Although there is currently no statutory information sharing gateway that allows HMRC to share information with councils for the administration of council tax, HMRC is able to share data for the purpose of local council tax reduction schemes and to tackle fraud and debt owed to the public sector under the Digital Economy Act 2017.

Since 2019, HMRC has also utilised the Digital Economy Act to share information with councils to improve the efficiency of council tax debt recovery, and alongside DWP and the Cabinet Office, has shared data with councils to help identify and tackle fraudulent activity in council tax and housing benefit.

Before amending any existing Memorandum of Understanding, HMRC is happy to explore what further can be done within existing legislation in respect to council tax and consider whether there is a case for new powers to share information in this area.

- **the Digital Economy Act pilots be rolled out more widely;**

The Government agrees with the thrust of the recommendation on the Digital Economy Act (DEA) and on data sharing, welcoming information sharing between central and local governments.

The Government Debt Management Function developed the [2023-26 Government Debt Strategy](#), which sets out government's aim to "Use the Digital Economy Act information sharing powers to identify and pilot data driven ways to prevent problem debt occurring". This includes advising and guiding on pilot proposals for debt information sharing.

Following the success and conclusion of The Digital Economy Act council tax debt reduction pilots in 2023, work is underway between the Digital Economy Act Secretariat in the Cabinet Office, councils, DWP and HMRC to move the sharing of data into a business-as-usual arrangement. The powers will improve data sharing across all councils in England, Scotland, and Wales by 2025, with 70 councils involved in the data share to date. The main purpose of this is to manage and reduce outstanding debt from those who have not paid their council tax and have received a liability order from their council. This will be achieved by utilising information from HMRC to help establish affordability.

The two prior Council Tax debt reduction pilots that ran up to June 2023 recovered a significant amount of debt, with c.£11m recovered to date. These recoveries are from debtors who have responded to a request from their council and are paying their debt via a payment arrangement, or via an Attachment of Earnings from their current employer, which will take into account their circumstances.

Supporting those who are vulnerable is an integral part of all DEA debt data shares with Bodies abiding by the Governments Fairness Principles. Councils will confirm that they have systems in place to support those in vulnerable circumstances either through their own support services or through services provided by a third party, such as a debt advice service or charity.

The DEA Secretariat in the Public Sector Fraud Authority (PSFA) is engaging across the local authority community to roll out the Council Tax debt reduction data share across England, Scotland, and Wales. Any councils that are not already signed up and are interested in doing so, can engage with Cabinet Office through debt-and-fraud-dea@cabinetoffice.gov.uk.

- **the Government consider further ways of enabling and encouraging greater data sharing between different groups for the purpose of identifying residents who are at risk of falling into council tax arrears; this may require the Information Commissioner's Office either to clarify the relevant provisions of its data-sharing code of practice, or to raise awareness of it within local government, if there is evidence of an overly cautious approach being taken to data sharing within local authorities. (Paragraph 85)**

The Department for Levelling Up, Housing and Communities has engaged with the Information Commissioner's Office (ICO) following the Committee's inquiry into the collection of council tax. The ICO is an independent body and is reflecting on the recommendations to clarify the relevant provisions of its data-sharing code of practice, and to raise awareness of it within local government.

Recommendation: The Government should carry out and publish research to assess different types of local council tax support schemes and how they relate to council tax arrears. In addition to collection rates and levels of arrears, the Government should also publish local authority level data on: methods used to engage with debtors; collection methods; the number of affordable repayment plans set up; and reasons for arrears. The new Office for Local Government should have a role in collecting, analysing and publishing this data. (Paragraph 87)

Government's response:

Local council tax support (LCTS) was put in place from 1 April 2013 to ensure that those in financial need are assisted with their council tax bill. Pension age LCTS schemes are made according to the terms of a centrally defined scheme set out in regulations. Reflecting the fact that pensioners are more likely to have fixed incomes and not work, this scheme provides reductions of up to 100% for those on the lowest incomes and is broadly equivalent to the former council tax benefit system. Working age LCTS schemes are designed and administered by local authorities. As such the schemes take a wide variety of forms specifically tailored to meet local circumstances and do not lend themselves to making like-for-like comparisons.

Council tax arrears arise as a result of a number of factors including the size of the council tax bill (which comprises of charges set by a number of authorities in the taxpayers' area), the circumstances of individual taxpayers, and local economic and cost of living-related matters. This range of factors makes it challenging to assess the underlying causes of arrears in different areas on a like-for-like basis.

Given the wide variety of council tax reduction schemes in place and the multi-faceted nature of council tax arrears, the Government does not believe that the suggested formal research would yield results that could usefully identify a link between LCTS and arrears. Councils are required to review their LCTS schemes each year, and they also seek to deal sensitively but effectively with arrears, taking account of guidance on enforcement issued by the Government which is kept under review. The Government believes this approach provides the most appropriate way of helping those who are indebted whilst ensuring that taxpayers contribute to the provision of local services. However, the Government will continue to monitor the development of LCTS schemes and levels of arrears and take action where this is considered necessary.

The Government believes that councils are best placed to make judgements on how to best administer the collection of council tax, using their local knowledge. The Government has no plans to collect data on methods of engagement with debtors, collection methods, repayment plans set up and reasons for arrears, which would add additional burdens on councils.

Mindful of adding new burdens to councils, the Office for Local Government (Oflog) is currently focussed on presenting data that is already published rather than commissioning new data returns and collecting data directly. Oflog has recently published local authority data which includes in year council tax collection rates and non-domestic rates collection rates. These metrics are also presented in time series, which demonstrates change over time. Oflog will continue to consider any new metrics when available, alongside engagement with local authorities and the relevant government departments, as part of Oflog determining what metrics to include on the Local Authority Data Explorer.

Office for Local Government

Recommendation: We are closely monitoring the establishment of the Office for Local Government which we believe could help to improve the functioning of local government. However, it is regrettable that the Secretary of State has not yet confirmed that the position of Oflog Chair will be subject to pre-appointment hearing by our Committee, despite our having first written to him about this matter in January 2023. We also find it regrettable that that Oflog does not yet have a permanent Chair. We consider the position of Oflog Chair to be critical to the functioning of local government and believe that Oflog, more widely, has a vital role to play in supporting taxpayers. We urge the Secretary of State to confirm in writing immediately that the position of Oflog Chair will be added to the list of posts subject to pre-appointment hearings by our Committee. (Paragraph 88)

Government's response:

The Department has written to the Committee on the 19 December 2023 regarding the Committee's inquiry on Oflog. As part of our preparations for the appointment of a permanent Oflog Chair, the Department will consider whether the role meets the criteria for pre-appointment scrutiny and if so, will write to your committee seeking a hearing date.

Council tax reform

Recommendation: We stand by our previous conclusions, and those of our predecessor Committee: the council tax regime is in desperate need of reform and updating. We recommend that the Government reform council tax by undertaking a revaluation of properties and introducing additional council tax bands, and in the longer-term, consider options for wider reform. (Paragraph 102)

Government's response:

The Government has no plans to conduct a revaluation of council tax bands. A revaluation would be expensive to undertake and it would particularly risk penalising those on a lower income, including pensioners, who have seen their homes appreciate in value, and might face a substantial increase in tax without having the income to pay it. It may also increase council tax for households where home improvements have been made since they moved in.

The Government remains committed to improving the local government finance landscape in the next Parliament. The Government confirmed in the Policy Statement published ahead of the provisional Local Government Finance Settlement that in response to calls for stability the Government is prioritising stability in this Parliament and will work with local government and the wider sector on the new challenges and opportunities they face in the next Parliament.