

# Written Submission

## Submission to the Commission on Local Tax Reform

### 1 Introduction

- 1.1 Inclusion Scotland is a national network of disabled peoples' organisations and individual disabled people. Our main aim is to draw attention to the physical, social, economic, cultural and attitudinal barriers that affect disabled people's everyday lives and to encourage a wider understanding of those issues throughout Scotland. Inclusion Scotland is part of the disabled people's Independent Living Movement.
- 1.2 Given the short timescale within which written evidence had to be submitted we have not been able to fully consult with our membership. This submission is therefore based on views gathered in the past from disabled people on related issues such as charging for care service provision and the affordability of the current system.
- 1.3 Based on past engagement work we can state with some certainty that the key elements of any new system of local taxation should be that (i) it does not impose an additional tax burden on disabled people over and above the burden placed on non-disabled people and (ii) it should not further intensify disabled people's poverty and exclusion from mainstream community life.

### 2 Regressive nature of the Council Tax

- 2.1 It is widely acknowledged that the current system of local taxation, the Council Tax, is a regressive one. A household with an income of several million pounds per annum will only pay, as a maximum, three times more than a household subsisting on the Minimum Wage.
- 2.2 Across all household types (households of working age with and without children and retired households) Council Tax is a consistently regressive tax. The average proportion of household income taken in Council Tax payments from the Bottom 10% after council tax rebates of households is **5.6%**<sup>1</sup>.

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<sup>1</sup> Pg 20, "Unfair and Unclear:", Madeline Power and Tim Stacey for the Equality Trust, June 2014

Yet the average proportion of income paid in Council Tax by the wealthiest 10% of households is just **1.4%** of household income. Thus, on average, the poorest households pay proportionately **4 times** more than the wealthiest.

### **3 Disabled People and Ability to Pay**

- 3.1 In 2012/13, in Scotland, 20% of individuals in families containing a disabled adult were living in relative poverty. For families with no disabled adults the figure was 14%<sup>2</sup>. However the current measure of poverty used by Scottish Government is based on average household income which counts disability benefits as income but fails to take into account the extra costs associated with disability. Therefore we would argue that the 20% figure is a significant under-estimate.
- 3.2 A recent study by Scope<sup>3</sup> found that disabled people spend an average **£550 a month** in disability related expenses (e.g. taxis, increased use of heating, special equipment, care costs, etc.). As a result disabled people are –
- twice as likely to have unsecured debt totalling more than half of their income
  - three times more likely to use doorstep loans
  - have on average £108,000 fewer savings and assets than non-disabled people
- 3.3 Taking into account additional costs the New Policy Institute<sup>4</sup> estimate that, in the UK, there are 1 million more households containing a disabled person living in poverty than are counted in official figures. That would equate to around 100,000 more households in Scotland (Scotland has a higher proportion of disabled people than the rest of the UK. For example 11% of those in receipt of the main disability benefit, Disability Living Allowance, live in Scotland).
- 3.4 Factoring in these additional low income households Inclusion Scotland estimates that the true poverty rate amongst households containing a disabled person in Scotland is around 26% - i.e. nearly twice the rate for households with no disabled people. Similarly the DWP estimate that disabled people are twice as likely to experience “material deprivation” than non-disabled people.
- 3.5 Welfare reforms are exacerbating the problems disabled people have in relation to income and expenditure. Over half of all the cuts to benefits fall on disabled people

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<sup>2</sup> <http://www.gov.scot/Topics/People/Equality/Equalities/DataGrid/Disability/DisabPov>

<sup>3</sup> “Priced out: ending the financial penalty of disability by 2020”, Scope, April 2014

<sup>4</sup> “Disability, Long Term Conditions and Poverty”, Tom McInnes et al, New Policy Institute for Joseph Rowntree Foundation, July 2014

with disabled people in Scotland collectively expected to lose £750 million a year by the time that the reforms are fully implemented<sup>5</sup>.

- 3.6 Disabled individuals losing entitlement to ESA/Incapacity Benefit can expect to lose an average of £2,000 a year with many of these same households facing an additional loss of £2,600 a year as DLA is replaced by Personal Independence Payments. These same households may also face losses due to the failure to uprate Child Benefit and Housing Benefit in line with inflation.
- 3.7 **Recommendation:** Any new or revised system of local taxation should ensure that the lowest income households are no worse off than at present and instead should seek to redistribute the burden of taxation from the poorest households to the most affluent.
- 3.8 **Recommendation:** Any change in local taxation should and must take into account the ability of lower income households to pay. Households containing disabled adults and children face particular issues because, on average, their income is falling whilst the costs associated with disability continue to rise.
- 3.9 **Recommendation:** Benefits such as Disability Living Allowance (DLA) and Personal Independence Payments (PIP) are paid to meet the additional costs arising from disability. Therefore they should continue to not be taken into account when calculating income for local taxation purposes.
- 3.10 **Recommendation:** If the single person household discount is to continue then the carers of disabled people in receipt of the care component of DLA or the daily living component of PIP should continue to be disregarded as household residents.

#### 4 Local Authority Revenue & Care Charging

- 4.1 Scottish Local Authorities' budgets have come under pressure as austerity cuts imposed by the UK Government have impacted on the Scottish block grant. As the Scottish Government and Local Authorities have attempted to protect the Health and Education budgets this has resulted in disproportionate pressure on Local Authorities' second biggest area of expenditure, social care provision (Scotland spends **£2.93bn** per annum on social care). Councils have responded by raising entitlement criteria to social care (i.e. rationing) and by attempting to secure additional revenue via charging for social care services.
- 4.2 The impact of rationing is difficult to properly quantify. However many authorities are now providing social care only to those with ***“critical and substantial need”***.

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<sup>5</sup> Estimate based on the £1.5 billion cumulative impact of welfare reform established in, “The Cumulative Impact of Welfare Reform on Households in Scotland”, Welfare Reform Committee of the Scottish Parliament, March 2015

This leaves many disabled people who may need only a little support to stay in their own homes (for example some help to get dressed) without any support.

- 4.3 Levels of unmet need rise as a result with costs appearing elsewhere in the system as disabled people are admitted to hospital or go into residential care. This is not cost effective in the medium to longer term and flies in the face of the preventative agenda recommended by the Christie Commission.
- 4.4 Care charging raised **£51.6 million** in 2012/13 – less than 0.2% of the cost of providing care services. However Scottish Government figures show that, over the last three years, care charges throughout Scotland have risen by an average of **12%** - with the increases being imposed by some local authorities increasing by far more than that. This is much higher than the rate of inflation over the same period and thus also far higher than the rate that benefits rates have increased.
- 4.5 Last year **76,670** disabled and older people were paying care charges. Figures obtained through an FOI request by Learning Disability Alliance Scotland show that some **14,700** (19%) of those paying care charges were in substantial arrears in their payments and councils had started debt management procedures against over **5,700** elderly and/or disabled people.
- 4.6 This strongly suggests that the increase in care charging is unsustainable in that it is increasing disabled people's living costs at a time when many are losing income and is thus putting the cost of care services beyond the means of a substantial proportion of disabled people.
- 4.7 This problem will be exacerbated as tens of thousands of disabled people lose entitlement to Disability Living Allowance (DLA) when they are re-assessed for Personal Independence Payment (PIP). Currently **90,000** disabled people are expected to lose some or all of the care element of their DLA. This will mean that they will have far less money available to contribute towards care charges.
- 4.8 Local Authorities will then be faced with falling revenues from this source. They will then have to consider –
  - (i) imposing further restrictions on access to social care - which could see them in breach of statutory duties to ensure the safety and well-being of those in need of care – or
  - (ii) to substantially increase the charges imposed on those disabled people who retain entitlement to the daily living component of PIP. Though this in turn is likely to increase the proportion of care recipients who default on their charges payments.

- 4.9 Finally there is a strong moral argument that care charging is wrong in principle. The Government does not impose charges on those in receipt of health services at the point of need and care services are just as essential to sick and disabled people as health services. Instead of the costs of health care being partially met by sick people they are instead shared by all taxpayers. This was one of the strongest arguments advanced for the abolition of prescription charges and it is difficult to see why care services are viewed differently.
- 4.10 **Recommendation:** That the Commission reviews the practice of care charging with a view to absorbing the costs of abolition of charging within any move to a more progressive system of local taxation.

## 5 **Disability and a System of Local Taxation based on Property Valuation**

- 5.1 Disabled adults are more likely than non-disabled adults to live in the social rented sector, and less likely to own their own homes or rent privately<sup>6</sup>. Fifty-nine percent of adults with a long-term illness or a disability lived in owner occupied housing, 35% in social rented accommodation, and 8% in the private rented sector. The corresponding figures for adults with no long-term illness or disability were 71%, 15% and 14% respectively.
- 5.2 If a new system of local taxation based on property valuation was introduced it might disproportionately impact on some disabled people who, because of their impairments, may need larger properties. For example 80% of the Scottish households affected by the Bedroom Tax contained a disabled person - in some instances because they needed additional bedrooms for carers, children or partners sleeping separately and for the storage of medical equipment and hoists.
- 5.3 **Recommendation:** That if a new system of local taxation based on property valuation is being considered that a thorough Equality Impact Assessment is conducted and action taken to avoid unintended consequences for disabled people who require larger properties as a consequence of their impairments.

## 6 **Conclusion**

- 6.1 Reform of the current Council Tax system would present a unique opportunity to devise a fairer, more progressive system of local taxation. However any revision of the existing system, or the creation of any new system should take into account the particular issues of poverty and additional costs associated with disability faced by a large proportion of disabled people.

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<sup>6</sup> Scottish Household Survey 2010

**For further information:**  
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