

A new poll tax?

The impact of the abolition of council tax benefit in London



**CHILD
POVERTY
ACTION
GROUP**

Sam Ashton

July 2014

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CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to: raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

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About the author

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About Z2K

The Zacchaeus 2000 Trust (Z2K) is a London-wide anti-poverty charity that promotes the improvement of living conditions on the basis of economic and social justice through the provision of evidence-based policy alternatives to government, and by direct engagement with the lives of the poorest and most vulnerable.

Z2K provides a generalist advice and casework service offering in-depth and long-term support for people struggling on low incomes. This service primarily focuses on those facing debt as a result of: over- and under-payments of benefits; benefit sanctions; unmanageable debt repayment arrangements; bailiffs; utility bills; council tax liability; rent arrears; and most other debt-related matters.

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Key findings

The abolition of council tax benefit and the accompanying 10 per cent funding cut has left many of London's poorest residents paying council tax for the first time.

This has caused immense hardship for individuals and families, and made it more difficult for councils to collect council tax payments. Using new information, this report is the first comprehensive study of the first year of council tax support schemes in London. It finds the following.

- ◆ **Low-income Londoners are facing higher council tax bills.** At least 313,519 Londoners paid more council tax under their local council tax support scheme in 2013/14 than they would have done under the old benefit. On average, they were charged £151 more per annum – equivalent to two weeks of jobseeker's allowance. These claimants are now liable for over £91.5million in council tax annually.¹
- ◆ **Nearly four out of 10 affected Londoners have been sent a court summons for non-payment.** 118,027 people who are paying more council tax under the new council tax support scheme have been issued with a court summons because they have fallen behind on payments.
- ◆ **Court costs have added £10 million to the amount owed.** In 2013/14 almost 93,000 council tax support claimants were charged over £10 million in court costs.
- ◆ **Nearly 16,000 cases have been referred to bailiffs.** 15,944 cases were referred to bailiffs in 2013/14.
- ◆ **Local authorities are facing lower collection rates.** The collection rate for council tax owed by council tax support claimants with an increased liability in 2013/14 was, on average, 81 per cent, compared with average collection rates of 97.4 per cent in 2012/13.

Notes

¹ This is the total amount owed, not the total of new charges. Council tax benefit claimants in work would still have had to pay some council tax under the old scheme.

Introduction and the policy context

Background

In 1993 council tax was introduced, replacing the community charge or 'poll tax'. Under council tax, each dwelling is allocated to one of eight bands, coded A to H on the basis of its assumed capital value as of 1 April 1991. This valuation was supposed to be reassessed in 2007, but was postponed by the (then) government. A fixed 25 per cent discount is applied if only one person occupies the property. A second adult rebate is also available for some occupants sharing a property. Means-tested council tax benefit was available to address concerns about requiring those on low incomes to pay tax from their benefits.

Unlike other benefits, council tax benefit was not provided as cash, but in the form of a reduction to the claimant's council tax liability. Before its abolition, it was the most widely claimed means-tested benefit, with 4.9 million households in England receiving £4.1 billion worth of support. Eighty per cent of these claimants received 100 per cent council tax benefit, which meant that they did not have to pay any council tax.

On 31 March 1990, a quarter of million people took to the streets of central London to protest against the (then) government's new community charge. This new charge, or 'poll tax' as it became known, was seen as shifting the burden of taxation from the rich to the poor, particularly through the requirement that everyone paid.

This unpopular policy was short lived. When John Major became prime minister, he quickly announced his intention to replace the poll tax with the council tax, which was based on a new banding system. This was implemented from 1993.

'Localisation' of council tax benefit

In June 2010 the new coalition government announced that, from April 2013, the national system of council tax benefit would be abolished and would be replaced with council tax support schemes, to be determined by local authorities. This policy decision was implemented through the Local Government Finance Act 2012 and was accompanied by a 10 per cent cut in funding. The government's stated objective for the policy was to 'reinforce local control over council tax' while, at the same time, saving £480 million a year for the Treasury across Great Britain.

In an effort to help them bridge this funding shortfall, ministers gave local authorities new powers to charge additional council tax on empty properties or second homes. Nevertheless, the cut in subsidy on top of deep cuts to local authorities' revenue support grant funding remained extremely controversial. In the House of Lords, an amendment was tabled with the support of the Local Government Association to enable local authorities to make up this funding shortfall by reducing the single person discount. This amendment was defeated by a combination of Conservative and Labour peers.

Although local authorities were largely left free to decide their own council tax support schemes, the legislation required qualifying pensioners to continue to receive the same level of support as under council tax benefit. This meant that working-age claimants would have to shoulder a greater amount of the funding shortfall. The Act also required council tax support schemes to incentivise claimants to work by ensuring that work pays and to 'protect' vulnerable people, although deciding who is 'vulnerable' was left up to the local authority.

Local authorities were thus left with a choice to make: reduce council tax support to make up for the funding cut, increase council tax revenues or maintain the old system and absorb the shortfall elsewhere.

Analysis by the New Policy Institute for the Joseph Rowntree Foundation showed that, in 2013/14, 71 per cent of the 326 local authorities in England chose to make up the funding shortfall by introducing 'minimum payment' schemes, requiring all working-age claimants to pay some council tax.¹ Only 18 per cent of authorities maintained the same level of support as under the old system and the remaining 11 per cent chose to make other changes.

In late 2012, as local authorities were finalising their local council tax support schemes, ministers announced a £100 million transition fund. This was to support local authorities to develop well-designed council tax support schemes and maintain positive incentives to work. This funding was made available to those authorities who kept their minimum payment to 8.5 per cent or less of a full council tax bill. A small number reduced their minimum payments to 8.5 per cent, but most did not.

The Scottish government and Welsh Assembly both decided to replace the central government subsidy to ensure that benefit claimants were not charged by their council. The Welsh Assembly has recently extended this funding until 2017.

Poverty in London

Poverty rates in London are higher than in the rest of England. London has the highest child poverty rates in the country, with more poor children in London than in Scotland and Wales combined. The high cost of living in London means that the experience of living in poverty is one of particular hardship.

Welfare reform has meant that many London households are already facing a reduction in their income. Cuts, such as the 'bedroom tax' and the benefit cap, have meant that some households have seen a dramatic drop in their income. In addition, benefits and tax credits are now being uprated below inflation, meaning their value is gradually being eroded. Even before council tax charges are taken into account, the incomes of the poorest in London are being squeezed.

A reduction in council tax benefit has the potential to contribute towards increasing poverty rates as well as further impoverishing households already living in poverty.

Context for local authorities

This cut comes at a time when local authorities are facing unprecedented pressure. At the same time as managing shrinking settlements from central government, they are bearing the brunt of an ageing population and the consequences of welfare reform. It is a significant challenge for councils to devise and fund schemes that are not poverty producing.

Local authorities are also concerned that now funding for council tax support has been merged into the revenue support grant, it could be subject to the same cuts as general funding. The Local Government Association warns that this could be as much as 28 per cent, or £1 billion, by 2016.² In addition, the funding is based on the estimated, not actual, number of eligible claimants. If there is a rise in the number of claimants, this will increase local authorities' funding shortfall even further.

Methodology

This report is based on original research by Z2K and CPAG. The figures used to calculate collection rates, the financial impact on claimants and collection practices are taken from responses to freedom of information requests submitted to London local authorities. Unless otherwise stated, the figures used refer to London only and for the 2013/14 financial year.

A number of authorities were unable to respond to our requests as they said they did not hold the information required. This means basic information about the effectiveness of their schemes and the impact on residents is not always being collected by local authorities.

Any decision about whether to amend or continue with a scheme should be on the basis of the fullest possible information. It is essential that authorities collect and analyse evidence on arrears rates, the cost of collection and the impacts, such as any increase in homelessness.

Notes

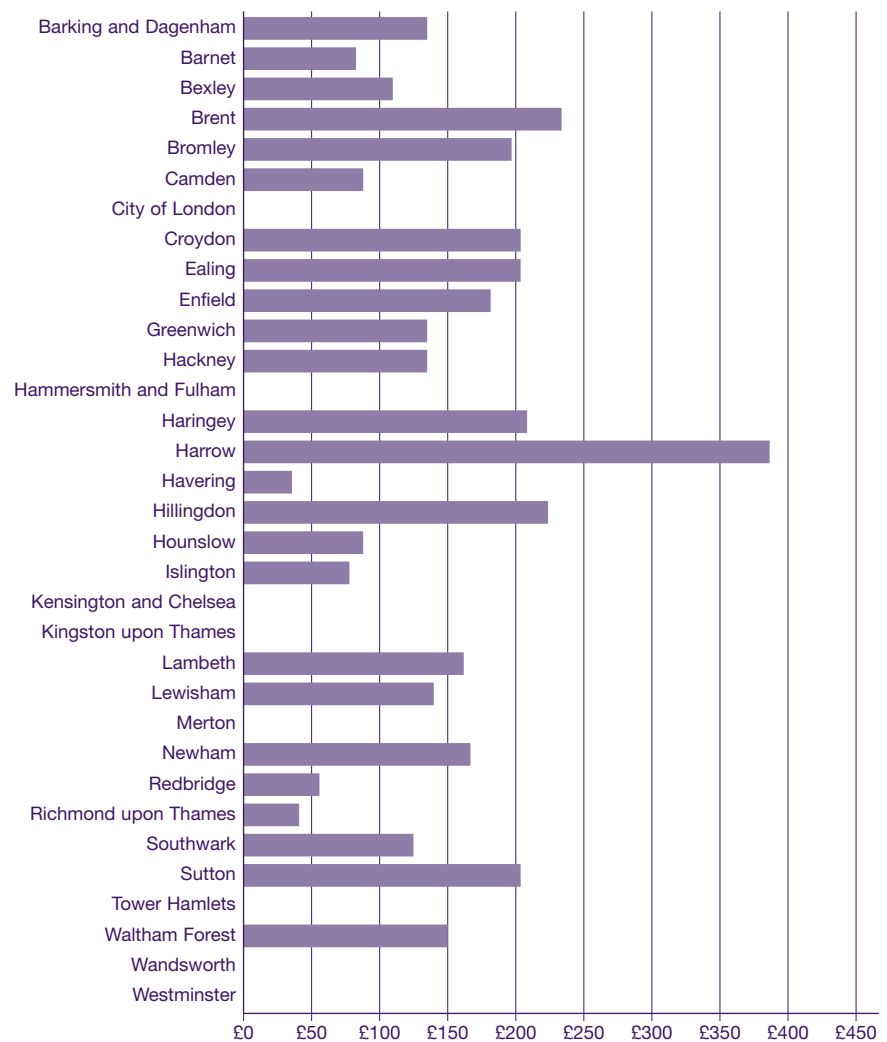
- 1 *The Impact of Localising Council Tax Benefit*, Joseph Rowntree Foundation, March 2013
- 2 Local Government Association, *More Council Tax Support Cuts to Come*, January 2014

Overview of London schemes

The schemes established in the 33 London local authorities vary greatly. Six authorities (City of London, Hammersmith and Fulham, Kensington and Chelsea, Merton, Tower Hamlets and Westminster) set up schemes that made no changes to the old council tax benefit system and maintain 100 per cent reduction in council tax liability. Havering, Kingston upon Thames, Wandsworth and Richmond upon Thames made some minor changes, such as abolishing the second adult rebate, altering non-dependant deductions or capping support to a particular council tax band, but did not introduce a minimum payment.

Figure 2.1

Average annual loss per claimant, 2014/15



Source: Monetary impacts of CTS in English local authorities 2014/15, New Policy Institute

The remaining 23 councils chose to pass on the cut to claimants, and established schemes with a minimum payment. In 2014/15, these now range from relatively small (5 per cent in Redbridge) to considerable (30 per cent in Harrow) sums for low-income families and individuals. In monetary terms, these minimum payments are £69.93 annually for a Band D property in Redbridge up to £454 in Harrow. For a full breakdown of the schemes, see Table 2.1.

Exemptions

Ten of the councils that have minimum payments have included exemptions for 'vulnerable' groups in their schemes, meaning they receive 100 per cent support or a reduced minimum payment. For example, Brent, Croydon, Enfield and Haringey all exempt some disabled people. Harrow and Islington offer a reduced minimum payment to disabled claimants, but they must still pay something.

However, there is widespread inconsistency in which benefits qualify claimants for an exemption, with some councils using only the higher rate of disability living allowance and others including all disability living allowance and/or employment and support allowance claimants. In some cases, this inconsistency has led to vulnerable claimants missing out on exemptions to which they should be entitled.

Other councils have included war widows, carers and income support claimants in their exemptions. Lambeth is unique in also exempting claimants who are affected by the overall benefit cap.

Case study: Karen

'Karen' is a vulnerable woman with severe depression. She receives income support with the disability premium because of her illness and, until April 2013, she also got council tax benefit. As a result of the abolition of council tax benefit, her local council said she must pay £180 a year. After failing to keep up with her instalments, she was sent a court summons and had to pay an extra £90 in costs.

Despite the ongoing nature of Karen's condition, she is only in receipt of short-term lower rate incapacity benefit. If she were on long-term incapacity benefit, she would be exempt under her authority's scheme.

After paying for food, utilities and other essentials, she has no money left from her benefits at the end of every week. Karen is unlikely to be able to pay her council tax arrears in the near future. Any enforcement action against her will simply result in increasing her debt and creating costs for the local authority.

Table 2.1

Council tax support schemes in London, 2014/5

Local authority	Minimum payment	Exemptions	Number of claimants paying more	Average increase per annum (all claimants)*
Barking and Dagenham	15%	None	16,500	£135.57
Barnet	8.5%	War pensioners and widows	23,170	£83.43
Bexley	10%	None	12,404	£109.50
Brent	20%	Disability benefit claimants	19,560	£234.64
Bromley	19%	None	11,936	£198.14
Camden	8.5%	None	16,594	£88.64
City of London	n/a	n/a	0	n/a
Croydon	15%	Disability benefit and income support claimants	13,592	£203.36
Ealing	15%	Disability living allowance claimants and lone parents with a child under five	–	£203.36
Enfield	19.5%	War widows and disability benefit claimants	26,666	£182.50
Greenwich	15%	None	18,532	£135.57
Hackney	15%	None	Refused	£135.57
Hammersmith and Fulham	n/a	n/a	0	n/a
Haringey	19.8%	Disability benefit claimants	19,142	£208.57
Harrow	30%	Reduced minimum payment for disabled residents	10,883	£385.86
Havering	n/a – council tax support restricted to Band D	None	633	£36.50
Hillingdon	20%	n/a	20,163	£224.21
Hounslow	8.5%	n/a	6,485	£88.64
Islington	9%	Reduced minimum payment for disabled residents	19,703	£78.21
Kensington and Chelsea	n/a	n/a	0	n/a
Kingston upon Thames	n/a – other changes	Disability benefit claimants and war widows	290	n/a
Lambeth	15.86%	Disability benefit claimants, war widows and those affected by the benefit cap	14,535	£161.64
Lewisham	14.6%		22,383	£140.79
Merton	n/a	n/a	0	n/a
Newham	20%	None	5,703	£166.86
Redbridge	5%	None	13,729	£57.36
Richmond upon Thames	n/a – other changes	Disability benefit claimants and war widows	422	£41.71
Southwark	15%	None	–	£125.14
Sutton	5%	None	8,185	£203.36
Tower Hamlets	n/a	n/a	0	n/a
Waltham Forest	15%	None	11,024	£151.20
Wandsworth	n/a – other changes	n/a	201	n/a
Westminster	n/a	n/a	0	n/a

* Source: Monetary impacts of CTS in English local authorities 2014/15, New Policy Institute

Changes from 2013/14 to 2014/15

Most London boroughs made no changes to their council tax support schemes in 2014/15. However, a small number of authorities further reduced support. Harrow increased its minimum payment from 22.5 per cent to 30 per cent, while in Bromley it increased from 8.5 per cent to 19 per cent, from 8.5 per cent to 15 per cent in Waltham Forest and, in Bexley, it doubled from 5 per cent to 10 per cent. In most of these cases, the reason given for the increase was the withdrawal of the government transition grant, rather than any analysis of the impact on affected residents.

Taper rates

'In Gordon Brown's Britain, if you're a single mother with two kids earning £150 a week, the withdrawal of benefits and the additional taxes mean that for every extra pound you earn, you keep just 4p.

What kind of incentive is that? Thirty years ago this party won an election fighting against 98 per cent tax rates on the richest. Today I want us to show even more anger about 96 per cent tax rates on the poorest.'

David Cameron, Conservative Party Conference, 2009

Four London boroughs have also increased their council tax support taper rate (the rate at which council tax support is withdrawn as a claimant's earnings increase) from 20 per cent to 30 per cent (Harrow and Brent) or to 25 per cent (Sutton and Lambeth).

In its recent report on council tax support, the Public Accounts Committee has criticised this change, highlighting that it could severely weaken work incentives:¹

The effects on work incentives of such an increase can be significant: when the withdrawal of council tax support is combined with the withdrawal of housing benefit, income tax and national insurance, a person will lose 93 pence of every additional pound he or she earns under a taper rate of 25 per cent, which increases to 97 pence for each additional pound if the taper rate increases to 30 per cent.

This has the potential to undermine the work incentives in universal credit. The Institute for Fiscal Studies has highlighted the advantages that could be gained from integrating council tax benefit with universal credit in order to achieve the aims of simplification and rationalising work incentives.²

Notes

1 *Council Tax Support*, Public Accounts Committee, March 2014

2 S Adam and J Browne, *Reforming Council Tax Benefit*, Institute for Fiscal Studies, Joseph Roundtree Foundation and Economic and Social Research Council, 2012

The introduction of minimum payment schemes alongside other changes has meant that at least 313,796 of the 566,850 working-age council tax benefit claimants in London in 2012/13 paid more council tax under their local council tax support scheme in 2013/14 than they would have under the old benefit.¹ The total amount of council tax owed by these claimants was over £91.5 million² and the average increase in the amount payable was £151 a year.

'I don't understand how they work it out 'cos benefits are supposed to be the minimum you can live on and now they've said that this is compulsory. How can they do that?'

John, Camden

Almost a third of households who claimed council tax benefit in 2012/13 had children. Eighty per cent of those affected by the change were non-working employment and support allowance or jobseeker's allowance claimants. Jobseeker's allowance is £72.40 per week for over-25-year-olds, meaning that the average loss of £151 equates to two weeks' income per year.

In Harrow, where minimum payments are now 30 per cent – £454 per year for a Band D property – these payments are the equivalent of losing six weeks' income per year, or 12 per cent of income. If residents fall behind on payments, they are expected to pay off debts at the same time as their current payments, and possibly face additional charges for failure to pay. This problem is discussed in more detail on pages 17–21.

Case study: Georgina

'Georgina' is a single mother, having left a violent and abusive husband, with three children (aged four, seven and 10). She lives on benefits, and relies on the support of local friends and family. Her ex-husband is not contributing in any way.

Her housing benefit was cut in 2012 as a result of the local housing allowance cap so, in order to remain close to her support systems, she downsized and now lives with her three children in a two-bedroom flat, with a rent of £330 per week. She previously received £592 a week in benefit. Prior to April 2013, this left her with £262 after rent. However, she is now subject to the benefit cap, meaning that her housing benefit entitlement of £306 has been reduced to £214.

After she pays her rent and energy costs, Georgina and her three young children are left with just £133 a week on which to survive. She is now also getting a bill for nearly £5 a week council tax.

After paying for food, rent, utilities and other essentials, many simply do not have any money left at the end of the week and cannot afford to make these additional payments from their benefits. This is because although benefits are supposedly calculated on the basis of providing the minimum necessary to live on, they fall far short of the amount needed to achieve a decent standard of living. For a single person over the age of 25, the £72.40 weekly jobseeker's allowance is only 38 per cent of their minimum income standard. In addition, the real value of jobseeker's allowance has been falling against median income over the longer term. In 1979, unemployment benefit (the predecessor to jobseeker's allowance) was about 22 per cent of average weekly earnings. By 2012, it was about 15 per cent – a drop in value of a third.³

Many of those now being asked to pay more council tax have also been affected by other aspects of welfare reform, particularly changes to housing benefit, such as the local housing allowance reforms, the 'bedroom tax' and the benefit cap. The vast majority will have seen the real value of their incomes fall as a result of benefits and tax credits being uprated below inflation. Research published by Oxfam in April 2014 found that one-third of households who had seen their income reduce as result of the move to council tax support had also been hit by cuts to their housing benefit entitlement.⁴ In May 2014, Citizens Advice reported a 17 per cent increase in the number of clients with council tax arrears since the localisation of council tax benefit.⁵

Case study: Claire

'Claire' is a single mother living with her four children and one grandchild. She has been hit by the benefit cap and is making up her rent shortfall from other income and help from family and friends while she is waiting to see whether her application for discretionary housing payments is successful.

Claire cannot see how she can afford to pay council tax as well as support her family, and so is in arrears. She is aware that she may be taken to court for her non-payment, but is willing to do this as she does not see how she can pay.

Notes

- 1 This figure is not complete as some local authorities either refused to answer our request or claimed not to hold the information.
- 2 The full figure is £91,510,264. This is the total amount owed, not the total of new charges. Council tax benefit claimants in work would still have had to pay some council tax under the old scheme.
- 3 L Judge, D Gaffney, J Portes, T Shildrick, R Macdonald, B Baumberg and A Garnham, *The Double Lockout*, CPAG, 2013
- 4 *Multiple Cuts for the Poorest Families*, Oxfam, April 2014
- 5 Citizens Advice Press Release, May 2014

The abolition of council tax benefit has had a serious impact on local authorities in several key ways. First and foremost, it is a cut to their income. This leaves them with the choice between making up the shortfall from other income – which has also been dramatically reduced – or increasing charges to residents previously deemed too poor to pay. If councils do choose to introduce minimum charging, this means collecting small sums of money from a larger number of people with limited means to pay. Boroughs that have chosen to introduce minimum payments have seen significantly lower collection rates from this group.

Collection rates

Most of the local authorities that introduced minimum payment council tax support schemes did so in order to maintain fiscal neutrality and pass on the government's funding cuts to residents. The challenge of achieving fiscal neutrality was made harder by councils needing to predict collection rates from residents paying for the first time.

Based on information provided by London boroughs, it would appear that the collection rate for council tax owed by council tax support claimants with an increased liability in 2013/14 was, on average, 81 per cent. However, this figure disguises significant variation among authorities, from a low of 69 per cent in Lambeth to a reported high of 96 per cent in Newham.

In any case, most councils have a target to collect 98 per cent of council tax and the national average collection rate for council tax in England in 2012/13 was 97.4 per cent. In this context, it can be seen that 81 per cent is significantly below the target and the average collection rate before the abolition of council tax benefit.

Unfortunately, councils said they were not able to provide information on the costs incurred in running and enforcing their schemes, which, if significant, could mean that the minimum payment schemes are uneconomical. We would expect that collecting small amounts of money from a large group of people with limited means of paying would incur greater costs than collecting from people not paying more under new schemes. This issue was recognised by Wandsworth Council when considering what kind of council tax support scheme to establish:¹

The size of these amounts in respect of council tax would in many cases be uneconomic to recover, with the costs of collection, including legal recovery costs, which fall to the Council being higher than the bill, and would in all likelihood have to be written off when the debt is uncollectable, which would mitigate against the savings made on reducing the level of support.

The long-term viability of minimum payment schemes remains to be seen,

but there is a strong possibility that collection rates will fall rather than improve. For example, many authorities rely on deductions from benefits to secure payment of the debt. However, with the maximum weekly amount that can be deducted being £3.60, many claimants will take more than a year and a half to repay the debt, by which time payments for 2014/15 will be long overdue. These claimants will effectively be forced to pay two bills simultaneously and, if they fall behind, the council will be unable to request further deductions from their benefits.

This issue was recognised in the impact assessment for Lewisham, which says it 'is likely to become a reoccurring issue as time goes by and will impact on the Council's revenue.'² Even if deductions from benefits are not made, if residents fall behind on payments, they will be expected to repay arrears at the same time as making current payments.

In December 2013, the Local Government Association published a report outlining the impact of the abolition of council tax benefit on local authorities.³ This research showed the difficulties the new arrangements, particularly the 10 per cent funding cut, were causing to local government. It concluded that the abolition of council tax benefit had resulted in council tax becoming more regressive, and recommended that any possible future government consider the case for returning to a 100 per cent funded scheme. Local authorities should also be given freedom over all discounts, including the level of the single person discount.

In April, the Work and Pensions Select Committee published its report on support for housing costs, which also looked at the issue of council tax localisation. It concluded that:⁴

We are concerned that the 10 per cent reduction in central funding for council tax support which accompanied its localisation is leading to hardship for some households and to increased expense for local authorities through loss of revenue, and costs relating to arrears collection, court action and providing support to affected claimants.

Single person's discount

Currently, households with only one adult living in them get a 25 per cent reduction in their council tax liability. This rebate is applied even to high-income households. The Local Government Association presented evidence, as part of its suggested amendment to the Local Government Finance Bill, which showed that reducing this discount to 20 per cent for working-age people would be sufficient to close the funding gap created by the 10 per cent cut in council tax benefit funding.

Notes

- 1 Wandsworth Borough Council Finance and Corporate Resources Overview and Scrutiny Committee, 4 October 2012
- 2 *Council Tax Reduction Scheme 2014/15*, Lewisham Council, 4 December 2013
- 3 *Rewiring Public Services: council tax support*, Local Government Association, December 2013
- 4 House of Commons Work and Pensions Committee, *Support for Housing Costs in the Reformed Welfare System*, HC 720, 2 April 2014

Collection and enforcement

In an effort to increase collection rates, many local authorities have adopted a zero tolerance approach to the late payment of council tax. The introduction of minimum payment council tax support schemes has posed a challenge for councils, as it means that they have to collect council tax from residents who are unused to paying and, in some cases, have never paid before. The majority of boroughs have not changed their collection procedures and have made further charges as part of the enforcement procedure. These charges have driven residents further into debt and hardship, threatening the sustainability of repaying debt at the same time as meeting current charges.

Collection procedure

Collection from council tax support claimants is governed by the same rules as all council tax collection. If the claimant household fails to pay an instalment of council tax, the local authority issues a reminder, asking for payment within seven days. If payment is not forthcoming within this period, the household loses the right to pay by instalments and becomes liable for the full year's council tax bill. If this is not paid within the next seven days, the local authority has the right to serve a court summons and ask the magistrates' court to issue a liability order.

Case study: Sam

'Sam' is in his early twenties. He is claiming jobseeker's allowance and attending a training course run by a local charity. His low income from benefits meant that he was unable to pay the minimum payment and fell into arrears.

When he received his court summons he contacted his council and was offered an unrealistic repayment plan of £14 per week. Z2K attended court with him and managed to negotiate a sustainable repayment of a £14 per month. A month later, Sam's council changed the agreement and insisted Sam pay £14 per week instead.

Once a local authority has obtained a liability order it is entitled to attempt to enforce the debt in a number of ways. If the claimant is in receipt of income support, employment and support allowance or jobseeker's allowance, the local authority can ask the DWP to deduct the arrears directly from the claimant's benefits or, if s/he is working, it can apply for an attachment of earnings order. It can also engage bailiffs to attempt to recover the debt, potentially by seizing goods to the value of the amount owed. Finally, if all other means of enforcement have been exhausted, the local authority can ask the magistrates' court to send the debtor to prison.

Table 5.1

Council tax support collection in London, 2013/14

Local authority	Council tax support claimants summonsed	Council tax support claimants charged costs	Total amount of costs charged	Council tax support claimants referred to bailiffs
Barking and Dagenham	Not held	Not held	Not held	Not held
Barnet	4,101	4,101	£295,272	Not held
Bexley	2,084	0	£0	0
Brent	5,845	5,045	£582,743	1,101
Bromley	3,895	3,606	£459,449	1,860
Camden	4,360	3,432	£318,810	0
City of London	2	2	£170	0
Croydon	5,009	4,162	£552,192	1,834
Ealing	Not held	Not held	Not held	Not held
Enfield	5,695	5,695	£398,650	0
Greenwich	6,428	6,428	£610,660	552
Hackney	7,502	6,651	£585,156	1,874
Hammersmith and Fulham	2,304	2,019	£215,610	Not held
Haringey	8,508	5,732	£716,500	Refused
Harrow	3,705	3,704	£463,000	665
Havering	2,809	2,809	£294,945	1,696
Hillingdon	4,231	4,231	£528,875	422
Hounslow	4,094	3,684	£360,667	0
Islington	8,087	Not held	Not held	Not held
Kensington and Chelsea	n/a	n/a	n/a	n/a
Kingston upon Thames	852	852	£104,796	167
Lambeth	8,933	7,324	£1,030,084	3,244
Lewisham	6,751	6,751	£909,825	Not held
Merton	n/a	n/a	n/a	n/a
Newham	8,413	6,982	£452,897.90	1,258
Redbridge	2,256	2, 256	£284,256	345
Richmond upon Thames	Not held	Not held	Not held	Not held
Southwark	7,486	5,562	£361,530	0
Sutton	2,165	2,165	£276,910	728
Tower Hamlets	n/a	n/a	n/a	n/a
Waltham Forrest	1,304	503	£57,888	198
Wandsworth	1,208	1,208	£148,584	688
Westminster	n/a	n/a	n/a	n/a
Total	11,8027	92,648	£10,009,469.90	15,944

Court summons

London boroughs have adopted a variety of different approaches to collection from council tax support claimants. Some have chosen to delay issuing a court summons in an attempt to engage with claimants before commencing enforcement action, while other authorities have treated council tax support claimants in the same way as other council tax debtors and issued a summons immediately.

Whatever approach was adopted, the end result for those who did not pay would have been a court summons. In total, 118,027 council tax support claimants in London were issued with a court summons in 2013/14 and 90,488 had a liability order issued against them. Of those summonsed, at least 60,284 were still in arrears on 31 March 2014, although the real number is likely to be substantially higher, as 11 councils were unable to provide us with figures.

This means that 39 per cent of claimants – nearly four in 10 – who are paying more council tax under the new council tax support scheme were issued with a court summons in 2013/14 as a result of being unable to pay some or all of the new charges. Of those claimants paying more, at least 20 per cent were still in arrears in March 2014.

The receipt of a court summons is an intimidating experience that can have a severe impact on the physical and mental wellbeing of someone in a vulnerable situation. The vulnerability criteria most often adopted by councils in their collection policies are exceedingly narrow and fail to recognise that financial hardship (and the accompanying inability to pay) places debtors in a vulnerable situation, even when other obvious signifiers of vulnerability are absent.

Costs

When a local authority issues a court summons it is entitled to charge costs to the debtor, which can be added to if a liability order is awarded. In London, the costs charged range from £70 in Enfield to £125 in Haringey, even though the charge to local authorities by the magistrates' court is only £3. In 2013/14, almost 93,000 council tax support claimants were charged a total of over £10 million in costs alone.¹

There is considerable variation in the approach adopted by different authorities in charging costs. Enfield, for example, chose to charge costs to all 5,695 claimants that it summonsed, while other authorities withdrew costs for claimants who agreed repayment plans. Bexley has adopted a policy of not charging costs to summonsed council tax support claimants. Overall, 78 per cent of those summonsed have been charged costs.

Several boroughs have policies that enable them to use discretion in charging costs to claimants. However, it appears that this discretion is rarely exercised in practice. For example, Brent's council tax collection

policy states that 'consideration will be given to reducing the court costs' in council tax support cases. In practice, 86 per cent of those summonsed by Brent were charged court costs.

These figures demonstrate that proper consideration is not being given to the impact of adding around £120 costs to the debt of someone already facing financial hardship.

Bailiffs

The most popular arrears collection method among local authorities was to refer council tax support claimants' debts to bailiffs. 15,944 cases were referred to bailiffs in 2013/14, more than the 14,297 cases in which deductions from benefits were requested. This is surprising as many of the authorities' collection policies state that deductions from earnings or benefits is the preferred method of recovery in council tax support. However, there is variation among the councils. Camden and Southwark appear to be following their policies and have not referred a single case to bailiffs. In contrast, Lambeth has engaged bailiffs for 3,244 households, representing 46 per cent of the liability orders granted.

It could, of course, be that many of these claimants had pre-existing debts that were already being paid through deductions from benefits, which meant further deductions could not be made. Nevertheless, as some authorities recognise, bailiff action is not an appropriate form of collection for any low-income family. This is because the bailiff fees serve to increase a relatively small debt, particularly where court fees have already been added, and simply make it even harder for the debtor to repay. Many bailiffs can also be aggressive and intimidating, and often overstate their powers to enter homes and seize goods.

For example, a council tax support-claiming household living in a Band D property in Lambeth would have an annual bill of £197. If they failed to pay and were court summonsed, issued with a liability order and charged costs, £127 would be added to this debt. Following the implementation of new bailiff regulations in April 2014, a minimum of £75 would then be charged by the bailiffs for 'compliance', potentially followed by a further £235 when they first attend the household's property. The net result would lead to an already unmanageable debt of £197 skyrocketing to £634.

Quite apart from the further financial impact of bailiffs, they often prove ineffective in actually collecting the debt. Lewisham conducted a pilot, comparing the effectiveness of bailiffs to council officers in collection.² Fifty cases were referred to bailiffs, while another 50 were visited by a council tax officer. The success rate with bailiffs was 18 per cent, while council tax officers had a 42 per cent success rate.

Case study: Harry

'Harry' received a summons for £182 council tax from his local authority in October. He has a serious liver disease and was in receipt of employment and support allowance until he failed his work capability assessment and subsequently successfully appealed.

Harry accrued significant debts while waiting for his benefit to be reinstated and was unable to pay his council tax. He lived on toast, which was all he could afford. This poor diet, combined with his inability to afford to heat his home properly, has exacerbated his condition.

An application for discretionary relief was refused by his council on the basis that his circumstances were not exceptional. Z2K is supporting Harry's appeal against this decision to the valuation tribunal.

Notes

- 1 The exact figure is 92,648 claimants charged £10,009,469.90.
- 2 *Council Tax Reduction Scheme 2014/15*, Lewisham Council, 4 December 2013

Mitigating the impact

Alongside the use of exemptions, some local authorities have established discretionary hardship funds for those unable to pay their new council tax bills or have made 'inability to pay council tax' a criteria for broader support funds. Fourteen boroughs set up such schemes in 2013/14, ranging in budget from £25,000 to more than £150,000.

However, a combination of stringent qualifying criteria and poor promotion has meant that most of the funds appear to be significantly under-spent. For example, Islington established a hardship fund with a value of £125,000 in 2013/14, but only nine awards were made in the entire year, with a total value of £425, while 43 applications were refused. In contrast, Enfield has awarded a total of £48,982 of its hardship fund to 244 successful applicants.

Southwark has allocated £400,000 to support disabled residents affected by welfare reform, including the change from council tax benefit to council tax support. Of the 5,800 council tax support claimants summonsed by Southwark in October 2013, around 600 were disabled. However, only 20 of those were awarded hardship fund support at the hearing. Most disabled residents were clearly unaware that they may be eligible for support from the fund.

Case study: Simon

'Simon' has Lupus and is in receipt of employment and support allowance. He lives with his partner (who is disabled and in receipt of disability living allowance) in a housing association property. They are considered to have two spare bedrooms and therefore subject to £20 a week charge under the 'bedroom tax'.

Southwark took a liability order out against him and he agreed to pay £20 a month towards his council tax arrears. Despite having a severe health condition and being in receipt of employment and support allowance, he was not informed about the hardship fund by council officers.

Experience from the first year of 'localisation' shows that most of those boroughs that have established a hardship fund need to be much more proactive in promoting it to residents likely to be affected by the introduction of council tax minimum payments. It simply is not good enough that funding designated for the poorest is being left unclaimed because people do not know it exists. After Z2K challenged Southwark's practices, councillors there agreed to roll over under-spent funding into 2014/15 and encourage claimants to apply. We hope other boroughs will follow Southwark's lead and ensure that those claimants who are really struggling financially know they can apply.

Conclusion and recommendations

This report has demonstrated that the government's abolition of council tax benefit and the attached 10 per cent funding cut has meant that the majority of London local authorities have established council tax support schemes which require their poorest residents to pay more council tax. These minimum payment schemes have pushed tens of thousands of low-income Londoners deeper into poverty as, unable to meet the payments, they find themselves subject to court summonses, high costs and even intimidating bailiffs. For these people, council tax benefit 'localisation' arguably amounts to a new poll tax.

Recommendations for central government

CPAG and Z2K are opposed to the localisation of council tax support. In our view, this policy should be scrapped and a return should be made to a national, fully funded system of council tax benefit. In the meantime:

- ◆ We urge the government to mitigate the impact of this policy by restoring the 100 per cent subsidy for local council tax support schemes in 2015/16.

In lieu of 100 per cent subsidy being reintroduced, we ask the government to:

- ◆ Make available the £46.5 million underspend in transition funding for 2013/14 to those authorities that absorbed the costs or restricted their schemes to a maximum contribution of 8.5 per cent to allow them to repeat the exercise in 2014/15.
- ◆ Amend the Local Government Finance Act to enable local authorities to reduce the 25 per cent single person discount.

Recommendations for local government

Although central government is ultimately responsible for this policy, local authorities also have the opportunity to mitigate negative impacts for their residents. We urge London boroughs to:

- ◆ Reinstate 100 per cent support for their poorest residents, following the lead of seven London authorities (Hammersmith and Fulham, Kensington and Chelsea, Merton, City of London, Tower Hamlets, Wandsworth and Westminster).

However, we recognise the intense pressure on councils' budgets, and so this report demonstrates that there are a number of other ways in which their schemes could be improved and the worst impacts mitigated:

- ◆ Reduce the minimum payment to a more affordable level.
- ◆ Introduce or broaden exemptions to include those in receipt of disability living allowance, income support and employment and support allowance, as well as claimants affected by other aspects of welfare reform, such as the 'bedroom tax' and the overall benefit cap.
- ◆ Those boroughs that have not created a hardship fund for claimants struggling to pay should do so. These funds should be proactively advertised to claimants and eligibility criteria should not be too restrictive.

Local authorities that maintain minimum payment schemes should also take into account the potential vulnerability of council tax support claimants and adopt a sensitive approach to collection. This could be achieved by:

- ◆ Introducing a vetting stage prior to the issue of a court summons where being in receipt of council tax support would be considered cause for further engagement with the claimant.
- ◆ Waiving court costs for council tax support cases.
- ◆ Refraining from the use of bailiffs for collection in council tax support cases.

We would also urge local authorities to continue to monitor and evaluate their schemes through the collection and analysis of relevant information on collection rates and charges, and through gathering information on the impact on residents' lives.

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