

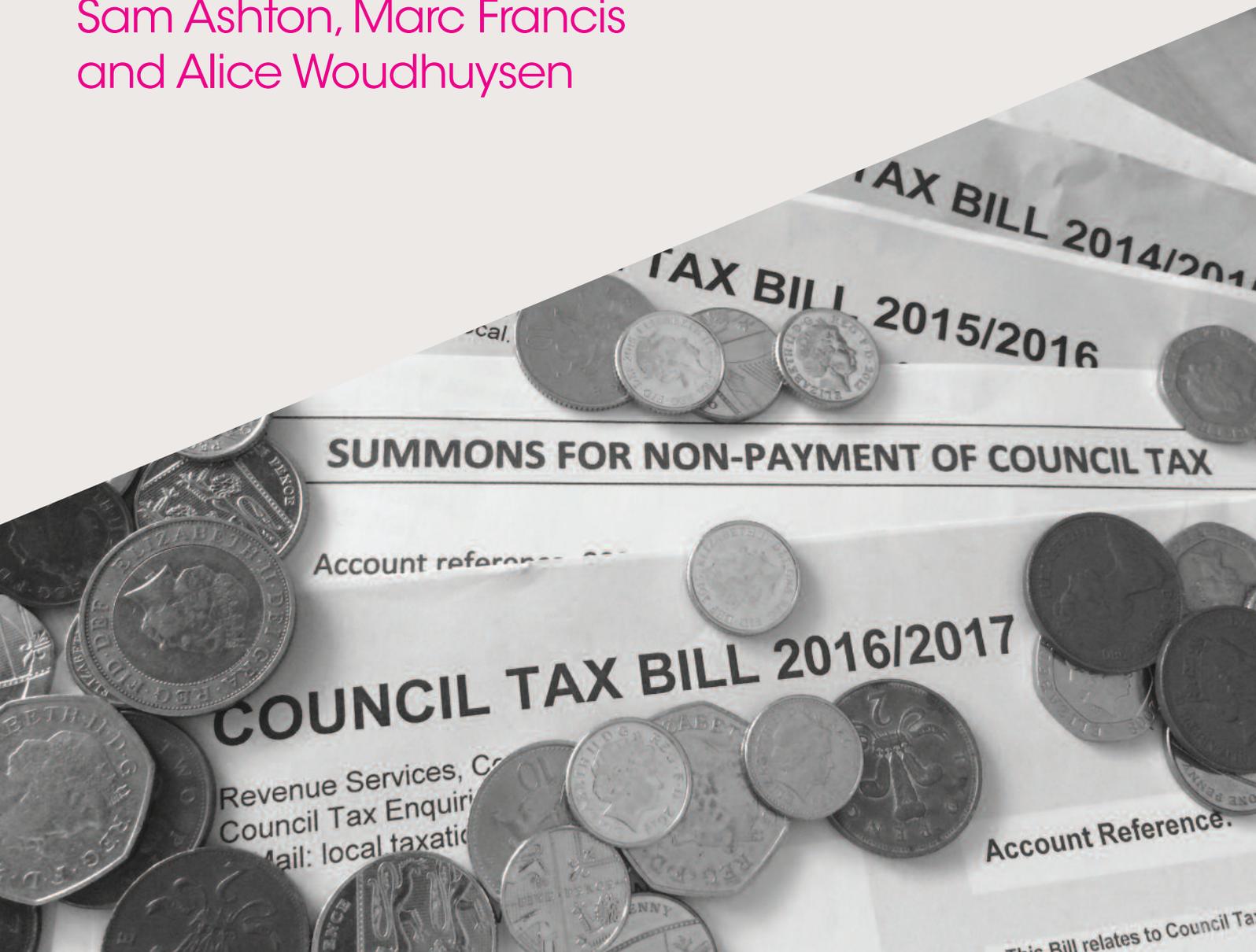
**CHILD
POVERTY
ACTION
GROUP**



STILL TOO POOR TO PAY

**THREE YEARS OF LOCALISED COUNCIL TAX
SUPPORT IN LONDON**

Sam Ashton, Marc Francis
and Alice Woudhuysen



STILL TOO POOR TO PAY: THREE YEARS OF LOCALISED COUNCIL TAX SUPPORT IN LONDON

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SEPTEMBER 2016

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 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 people.

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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The work, of course, expresses the views of CPAG and Z2K alone.

EXECUTIVE SUMMARY

In April 2013, the government abolished council tax benefit and replaced it with locally run council tax support schemes, accompanied by a 10 per cent cut in funding for local authorities.

At the time, the authors of this report, Child Poverty Action Group (CPAG) and Zacchaeus 2000 Trust (Z2K), were greatly concerned about the financial hardship that this would cause many of London's poorest residents. We set out to provide yearly data and analysis of the 33 different London council tax support schemes and to closely monitor the impact that abolishing council tax benefit was having, not just on low-income Londoners, but on local authorities too.

Our concerns were justified. Three years after the localisation of council tax support, the overall number of claimants has fallen as London's economy has improved, but council tax arrears have shot up and increasing numbers of claimants are being charged court costs on top of arrears, as more and more councils use bailiffs and harsh enforcement tactics to go after council tax debts. Localisation has also created serious administrative and financial burdens for local authorities, who are uncertain of how much funding they receive from central government and of whether it is sufficient to support their poorest residents.

This report is the latest in a series that shows the cumulative impact of the change in government policy. It offers new data provided by local authorities on the third year of local council tax support schemes and compares this data with data from the previous years. It also looks at the strengths and weaknesses of the government's three-year review of local council tax support schemes.

Finally, the report offers recommendations for those in central government and local government on how to improve the delivery of council tax support schemes and how to mitigate their impact on low-income Londoners. We hope that it will be a useful tool for MPs, Lords, council leaders, lead members and others, to consider best practice and take action to ease the financial burden on the poorest in society.

KEY FINDINGS

This report finds that:

- **In 2016/17, 26 out of the 33 London boroughs charged council tax to those previously deemed too poor to pay.** This is an increase from 24 councils in 2015/16.
- **Eight London boroughs increased their minimum payments for 2016/17.** Two London boroughs introduced charges for disabled and/or unemployed households for the first time for 2016/17.
- **In 2015/16, over 19,000 claimants were referred to bailiffs.** This is a 51 per cent increase on 2014/15.
- **In 2015/16, 81,000 claimants were charged a total of £8.9 million in court costs.** Since 2014/15, this is an increase of 10,000 claimants and £400,000 in court costs.

Since local council tax support schemes were introduced in April 2013:

- London's boroughs have instructed bailiffs to recover outstanding council tax from over 48,000 households.
- At least 318,000 court summonses have been issued to London's poorest households after falling into arrears with their council tax.
- Almost 250,000 low-income Londoners have been charged over £27 million in court costs.
- Hardship funds are only rarely helping a significant number of claimants in arrears.

It is worth noting that when collecting data for this report, a number of London boroughs either refused to disclose details of the number of claimants in arrears and/or facing enforcement action, or claimed not to be collecting such information. As a result, the numbers of claimants adversely affected are almost certainly much higher than we have been able to uncover.

RECOMMENDATIONS FOR CENTRAL AND LOCAL GOVERNMENT

Central government should reinstate council tax support as a national benefit providing up to 100 per cent support for those people not in work. However, if council tax support is to remain localised with the 10 per cent funding cut:

- Funding should be ring-fenced and separately identified, so that authorities can clearly see how much funding they receive and ensure that it is all spent on council tax support.
- The Department for Communities and Local Government should urgently issue guidance to local authorities to collect data on the impact of their schemes, as recommended by the government's independent review.
- Ministers should also issue guidance to local authorities to refrain from using enforcement agents to recover debt from council tax support claimants, as recommended by the Work and Pensions Select Committee.

London boroughs should reinstate 100 per cent support for their poorest residents, following the lead of the six boroughs that still maintain it. However, if boroughs maintain that a minimum payment is still necessary, they should:

- Reduce or keep the minimum payment under 10 per cent, or at a level where it can be repaid through deductions from benefits.
- Introduce or broaden exemptions to include those in receipt of disability living allowance, personal independence payment, employment and support allowance and income support, as well as claimants affected by other aspects of welfare reform, such as the 'bedroom tax' or benefit cap.
- Establish a hardship fund and proactively promote it to claimants to ensure it is spent. Any underspend on a hardship fund should be rolled into the following year's budget.
- Adopt collection practices that seek to maximise collection in a sustainable way, by engaging with debtors and understanding the difficulties they face.
- Collect and publish full information on their council tax support schemes, including collection rates, numbers of summonses and arrears.

ONE INTRODUCTION

The abolition of the national system of council tax benefit was announced in the coalition government's June 2010 Budget, among the many cuts to social security benefits.

Responsibility for deciding the level of support for households who were unemployed, sick, disabled or in low-paid work was devolved to local authorities, along with a 10 per cent cut in the funding. The policy came into effect from April 2013.

The Scottish and Welsh governments decided to provide funding so that all authorities there could continue to provide council tax support schemes akin to council tax benefit. A majority of the 326 English local authorities introduced schemes that required a financial contribution from claimants.

Over the past three years, Z2K and CPAG have sought to monitor the impact of the abolition of council tax benefit in the 33 London boroughs. We have focussed on the impact of these new charges on claimants – many of whom were already living below the breadline before being hit with these additional bills.

We found evidence that many claimants were struggling to keep up with their payments. This chimed with the stories claimants themselves told us about how they were cutting back on spending on essentials like food, clothing and heating, or having to borrow money to avoid falling into arrears. And in each of the first two years of 'localisation', London boroughs reported that over 100,000 households had fallen into arrears. The overwhelming majority of those were served with a court summons for late-payment, adding additional 'court costs' to the bill, as well as extra stress and anxiety.

This latest report brings the story up to date. Responses to our Freedom of Information requests show that, while the overall number of claimants has fallen as London's economy has improved, the proportion falling into arrears has risen along with the proportion of those facing enforcement action by bailiffs.

The independent review reported in March 2016. However, it did not focus on the impact on people directly affected. In this report, we consider both the strengths and weaknesses of the review.

TWO OVERVIEW OF LONDON SCHEMES

Immediately after the abolition of council tax benefit, it became apparent that the localisation of council tax support had led to a 'postcode lottery', with levels of support and eligibility for support varying widely throughout London.

Initially, 10 London boroughs decided to introduce schemes which either exactly replicated the old council tax benefit system or only made some minor changes, but in all cases retained 100 per cent support. Most of those explained their decision either as being because they felt it inappropriate to tax households with such low incomes, or because they estimated that the level of revenue generated would barely exceed the costs of collection.

In common with the rest of England, however, the majority of London boroughs decided to adopt 'minimum payment' schemes, which required all claimants to make minimum contributions towards their council tax, regardless of their financial circumstances. These minimum payments ranged from 5 per cent in Redbridge, to 22.5 per cent in Harrow. In monetary terms, this meant £69.93 annually for a Band D property in Redbridge and £344 in Harrow. In 2014/15, Harrow raised its standard minimum payment to 30 per cent – nearly £450 a year for a Band D property.

Ten of the boroughs that introduced minimum payments included exemptions for 'vulnerable' groups, where they are entitled to 100 per cent support or a reduced minimum payment. The most commonly exempted groups are war widow(er)s and disabled claimants. Some authorities, including Croydon and Ealing, also exempted lone parents with children under the age of five. Within those boroughs exempting disabled claimants, there is further variance in which disability benefits qualify claimants for an exemption, with some using only the higher rate of disability living allowance or personal independence payment and others exempting all disability living allowance, personal independence payment and employment and support allowance claimants.

However, the variance between schemes is not limited to the existence, or level, of minimum payment and exemptions. Authorities have also chosen to change the taper rate, savings and capital limits and non-dependent deductions. Most boroughs have maintained the 20 per cent taper rate that was set in the national scheme, but four have increased it to 25 per cent (Waltham Forest, Lambeth, Sutton and Wandsworth) and two to 30 per cent (Harrow and Brent). The Local Government Finance Act 2012 requires council tax support schemes to ensure that ‘work pays’, but higher taper rates act as a disincentive to working or working more hours.

Eight authorities have chosen to lower the savings threshold. This can create a strange situation where someone with savings between £6,000 and £16,000 is entitled to housing benefit and jobseeker’s allowance, but is expected to pay the full rate of her/his council tax. This not only complicates administration, it can also lead to overpayments which add to a claimant’s financial burden.

HOW SCHEMES HAVE CHANGED

In the three years of local council tax support schemes, there has been a consistent reduction in the support available in London. After the first year, four boroughs (Harrow, Bromley, Waltham Forest and Bexley) increased their minimum payments, with most giving the withdrawal of the government’s transition grant as the reason for the increase. For 2015/16, a further seven authorities (Barnet, Bexley, Barking and Dagenham, Ealing, Havering, Sutton and Waltham Forest) also increased their minimum payments.

Ten London local authorities have made further changes to their council tax support schemes for 2016/17.

The changes made by both Wandsworth and Richmond, which have gone from providing 100 per cent support to introducing a minimum payment, are particularly disappointing. Prior to establishing its scheme in 2013/14, Wandsworth explained the potential problems with a minimum payment scheme:

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.¹

Wandsworth’s cabinet has not explained how things have changed since then.

Hounslow consulted on whether to increase its minimum payment from 8.5 per cent to 15 per cent or 20 per cent, or restore 100 per cent support. Following the consultation, Hounslow’s full council meeting voted to accept the cabinet’s

Changes to London council tax support schemes for 2016/17

- **Bexley:** increased its minimum payment to 20 per cent
- **Bromley:** increased its minimum payment to 25 per cent
- **Ealing:** abolished exemptions. Vulnerable groups now pay a reduced minimum payment of 8.5 per cent
- **Enfield:** increased its minimum payment to 25 per cent
- **Hillingdon:** increased its minimum payment to 25 per cent and abolished exemptions. Vulnerable groups now pay a reduced minimum payment of 10 per cent
- **Kingston:** removal of family premium and changes to applicable amounts
- **Redbridge:** increased its minimum payment to 15 per cent
- **Richmond:** introduced a minimum payment of 5 per cent (with exemptions)
- **Waltham Forest:** increased its minimum payment to 24 per cent
- **Wandsworth:** introduced a minimum payment of 30 per cent (with exemptions)

recommendation to maintain the payment at 8.5 per cent in order to protect low-income households in the borough.

Following these changes, there are now only seven authorities (City of London, Hammersmith and Fulham, Kensington and Chelsea, Kingston upon Thames, Merton, Tower Hamlets and Westminster) that still offer 100 per cent support. Four boroughs (Camden, Islington, Hounslow and Richmond) have minimum payments under 10 per cent, 10 authorities have a 10–20 per cent payment, while 12 have a minimum payment over 20 per cent. Full details of the schemes and how they have changed over the past three years are shown in Table 1.

When council tax support was first introduced, the majority of London authorities either offered 100 per cent support or had a low minimum payment less than 10 per cent. After three years of continuous cuts, the majority of boroughs now have high payments over 20 per cent. This causes concern for the future: with local authorities facing further deep reductions to their budgets, many see council tax support as an easy cut to make, but where will they draw the line?

Table 1
London council tax support schemes 2013/14-2016/17

Local authority	Minimum payment 2013/14	Minimum payment 2014/15	Minimum payment 2015/16	Minimum payment 2016/17	Exemptions
Barking and Dagenham	15%	15%	25%	25%	None
Barnet	8.5%	8.5%	20%	20%	War pensioners, war widow(er)s and Armed Forces Compensation Scheme
Bexley	5%	10%	15%	20%	None
Brent	20%	20%	20%	20%	Disability benefits, war disablement pension
Bromley	8.5%	19%	19%	25%	None
Camden	8.5%	8.5%	8.5%	8.5%	None
City of London	None	None	None	None	n/a
Croydon	15%	15%	15%	15%	Disability benefits or income support and single parents with a child aged under five
Ealing	20%	20%	25%	25%	Disability benefits or a lone parent with a child aged under five pay reduced rate of 8.5%
Enfield	19.5%	19.5%	19.5%	25%	War widow(er)s, carers allowance, disability benefits
Greenwich	8.5%	15%	15%	15%	None
Hackney	15%	15%	15%	15%	None
Hammersmith and Fulham	None	None	None	None	n/a
Haringey	19.8%	19.8%	19.8%	19.8%	Disability benefits
Harrow	22.5%	30%	30%	30%	Disability benefit recipients have a 14% minimum payment
Havering	None	None	15%	15%	None
Hillingdon	20%	20%	20%	25%	War widow(er)s pension, war disablement pension, disability premium pay 10%
Hounslow	8.5%	8.5%	8.5%	8.5%	None
Islington	8.5%	8.5%	8.5%	8.5%	Disabled residents and carers get extra support but the amount they receive is still reduced by 8.5%

Local authority	Minimum payment 2013/14	Minimum payment 2014/15	Minimum payment 2015/16	Minimum payment 2016/17	Exemptions
Kensington and Chelsea	None	None	None	None	n/a
Kingston upon Thames	None	None	None	None	Disability benefits and war widow(er)s
Lambeth	15.86%	15.86%	15.86%	15.86%	Disabled people, carers, war widow(er)s and those affected by the benefits cap
Lewisham	14.8%	14.8%	14.8%	14.8%	None
Merton	None	None	None	None	n/a
Newham	20%	20%	20%	20%	None
Redbridge	5%	5%	5%	15%	None
Richmond upon Thames	None	None	None	5%	Disability benefits and war widow(er)s
Southwark	15%	15%	15%	15%	None
Sutton	Cash payment of £3.75 per week				None
Tower Hamlets	None	None	None	None	n/a
Waltham Forest	8.5%	15%	16%	24%	None
Wandsworth	None	None	None	30%	Disability benefits and families with children under three
Westminster	None	None	None	None	n/a

Notes

1. Wandsworth Borough Council Finance and Corporate Resources Overview and Scrutiny Committee, 4 October 2012

THREE IMPACT ON LOCAL AUTHORITIES

In the third year after the abolition of council tax benefit, local authorities continued to be impacted in a number of ways by localised council tax support.

Although local authorities are unable to identify how much funding they receive for council tax support, many have persisted in assuming that it remains insufficient to provide 100 per cent support for their poorest residents. However, the continued reduction in claimant numbers and the consequent reduction in the cost of council tax support, call that assumption into question.

Meanwhile, the uncertainty over the future of council tax support has been clarified to some extent by the independent review's recommendation for it not to be included in universal credit and to remain a localised benefit. The government has yet to confirm whether it agrees with this recommendation.

CLAIMANT NUMBERS

In February 2013, just prior to the abolition of council tax benefit, there were 823,900 council tax benefit claimants in London. The three years since the localisation of council tax support have seen year-on-year reductions in claimant numbers. In March 2014, the total number of claimants in London was just over 772,000. This fell further in March 2016 to 706,500, meaning there was a fall of 117,300 claimants between February 2013 and March 2016. Claimant numbers fell in every London local authority except for Kensington and Chelsea, which saw an increase from 14,920 in February 2013 to 16,024 in March 2016.

In March 2014, there were 482,000 working-age claimants, accounting for 62.4 per cent of all claimants. This means there were 290,100 non-working-age claimants – ie, pensioners, who received 100 per cent support as stipulated by the legislation. As the total number of claimants fell, it might be expected that the proportion of working-age claimants would also fall, particularly if the reason for the overall reduction in claimant numbers was because they had found

employment. However, the proportion of working-age claimants has actually been stable, remaining at 62 per cent in March 2016.

The proportion of claimants who received the maximum support available under their scheme (a combination of pensioners and claimants in receipt of means-tested benefits) was 62 per cent in March 2014, falling to 50 per cent in March 2016. This would seem to suggest an increase in the proportion of claimants in part-time or low-paid work, as these households account for almost all of those that receive partial support. This is in line with the increase in in-work poverty as show by the most recent London poverty profile.¹

COST OF SCHEMES

The continued fall in claimant numbers combined with the cuts to support has seen the cost of council tax support schemes fall across London. In 2013/14, just over £601 million was spent on council tax support in London; in 2015/16 the cost of providing council tax support had fallen by £108 million to £493 million. Although this reduction in cost has in part been driven by cuts to support, authorities who have not cut their support have also seen large reductions. For example, spending in Tower Hamlets, which has maintained 100 per cent support since 2013, fell by £2.4 million from £29.1 million in 2013/14 to £26.7 million in 2015/16. In local authorities that have cut support, the savings have understandably been more significant – for example, Waltham Forest saw a £4.9 million reduction in spending from £23.1 million to £18.2 million.

Since 2014/15, when funding for council tax support was rolled into the revenue support grant, local authorities have not be able to separately identify how much they were receiving explicitly for council tax support. This has been an ongoing source of contention, with many authorities assuming that council tax support funding has been cut by the same proportion as their overall revenue support grant but the government maintaining that council tax support funding has remained the same. This issue was identified by the independent review of council tax support, which recommended that:

Government should be transparent about how much funding for [localised council tax support] is paid through Revenue Support Grant, and it should be explicit about the future funding of [localised council tax support] schemes, including any expectations on how [localised council tax support] should be locally funded.²

We fully support this recommendation, with the addition that council tax support funding should be ring-fenced for spending on council tax support only. Given the falling cost of council tax support provision, if the government was to confirm that council tax support funding had remained constant, then that would mean that some authorities would undoubtedly have a surplus of funding. This is most likely to be the case in authorities with the highest minimum payments. Such

authorities would be shown to have been using funding intended to support low-income residents for other purposes.

As well as funding through the revenue support grant, councils also receive a single grant to help with the administrative costs of council tax support. Previously, this was made up of two separate grants – the administration subsidy and ‘new burdens’ funding. Currently, authorities process housing benefit administration and council tax support within the same team and using the same systems. This provides obvious economies of scale. However, when universal credit is fully implemented local authorities will lose funding for housing benefit administration. Many are concerned that the council tax support administration funding will not be sufficient to meet the cost alone. Some London boroughs are therefore looking at alternative ways to calculate council tax support in order to cut the cost. For example, Hounslow recently reported that:

A full review of the scheme is being undertaken in conjunction with other London Boroughs looking at scheme options, including processing the reduction as a discount avoiding the cost of a full means tested calculation having to be undertaken. Whilst Hounslow is still carrying out Housing Benefit calculations there are minimal additional processing costs but when Universal Credit is fully implemented an alternative more cost effective scheme will need to be introduced.³

COLLECTION RATES

In 2015/16, the average collection rate for council tax support claimants was 86 per cent, marginally higher than the 2014/15 average of 85 per cent. As in previous years, there was significant variation in the amount collected by each borough. Of those that provided figures, Havering recorded the lowest collection rate at 76.5 per cent, while Sutton reported a 98 per cent collection rate. Havering’s low collection rate might be explained by the fact that it introduced minimum payment for the first time in 2015/16 and claimants are struggling with their new liability.

As of the end of the 2015/16, the total outstanding in council tax from council tax support claimants for the year was £25.7 million.

Notes

1. H Aldridge, T Barry Born, A Tinson and T MacInnes, *London’s Poverty Profile 2015*, Trust for London/New Policy Institute, October 2015
2. E Ollerenshaw, *Three Years On: An Independent Review of Local Council Tax Support Schemes*, Department for Communities and Local Government, March 2016
3. London Borough of Hounslow, *CEX 089 Council Tax Reduction Scheme (CTRS) 2016/17*, January 2016

FOUR IMPACT ON CLAIMANTS

In 2015/16, London's 443,000 working-age council tax support claimants were charged a total of £197 million in council tax, amounting to an average of £445 per working-age claimant. Just as in previous years, a significant number of claimants have been unable to meet this charge.

Table 2
Council tax support impact 2015/16

Local authority	Summonses issued	Claimants in arrears	Claimants charged costs	Bailiffs used
Barking and Dagenham	Request refused	Request refused	Request refused	Request refused
Barnet	4,386	5,021	4,386	Request refused
Bexley	5,101	4,447	2,673	3,741
Brent	4,116	4,116	4,116	0
Bromley	3,538	4,278	3,538	2,325
Camden	3,313	4,669	2,869	531
City of London	17	Not held	17	0
Croydon	5,002	7,660	4,581	1,812
Ealing	3,099	4,979	2,953	881
Enfield	3,985	12,245	3,985	2,180
Greenwich	7,015	5,413	7,015	954
Hackney	6,036	11,705	6,036	1,210
Hammersmith and Fulham	Not held	Not held	Not held	Not held

Local authority	Summonses issued	Claimants in arrears	Claimants charged costs	Bailiffs used
Haringey	4,886	6,273	3,662	949
Harrow	Request refused	Request refused	Request refused	Request refused
Havering	Request refused	Request refused	Request refused	Request refused
Hillingdon	3,162	3,712	3,162	219
Hounslow	2,670	2,472	2,670	0
Islington	10,373	Request refused	0*	0*
Kensington and Chelsea	87	468	61	392
Kingston upon Thames	978	1,316	978	201
Lambeth	2,176	6,833	2,176	0*
Lewisham	5,746	6,616	5,746	Request refused
Merton	Not held	Not held	Not held	Not held
Newham	5,386	8,949	4,808	1,560
Redbridge	2,819	4,416	2,618	347
Richmond upon Thames	Not held	Not held	Not held	Not held
Southwark	6,012	10,151	6,012	0*
Sutton	1,767	2,174	1,767	660
Tower Hamlets	Not held	4,897	Not held	Not held
Waltham Forest	6,483	7,499	4,942	928
Wandsworth	570	1,263	570	322
Westminster	Not held	0	Not held	Not held
Total	98,723	131,572	82,030	19,212

* Intentional policy not to charge costs/instruct bailiffs

COURT SUMMONSES

In last year's report we identified that the total number of summonses issued to claimants had fallen and that also appears to be the case this year. Nearly 99,000 summonses were issued in 2015/16, compared to 102,204 in 2014/16 – a fall of over 3,000.

In our previous report, we postulated that the decline in summonses had in part been caused by falling claimant numbers and the data on claimant numbers outlined in the previous chapter seems to confirm this. Almost all boroughs have seen significant reductions in the numbers of working-age claimants, and with fewer claimants there are fewer people to fall behind on their payments and, therefore, fewer summonses overall. However, the number of summonses as a percentage of working-age claimants has actually slightly increased – 21.5 per cent of working-age claimants in 2014/15 were summonsed, compared to 22 per cent in 2015/16. This suggests that a similar proportion of claimants continue to be unable to meet their council tax liability.

Another contributing factor to the smaller number of summonses overall is the significant reductions achieved by several boroughs as a result of new collection policies. Lambeth, for example, has managed to reduce the number of summonses issued from 8,505 in 2014/15 to 2,176 in 2015/16 – a drop of over 6,300. More details on Lambeth's collection policies are provided in the section on enforcement.

In contrast, the number of summonses issued in Barnet saw a significant increase of 220 per cent from 1,985 in 2014/15 to 4,386. This is likely due to Barnet's decision to more than double its minimum payment from 8.5 per cent to 20 per cent in 2015/16. This supports the growing evidence of a link between increasing the minimum payment and claimant's ability to pay.

The small decline in reported court summonses might suggest that the impact on claimants has lessened over time as they have got used to the minimum payment and found ways to manage their finances so that they are able to pay. However, it should not be assumed that because claimants are paying, that it is not having an impact on their wellbeing. Council tax support claimants by definition have very limited incomes and, if they are to meet their liability, then either they have to cut spending elsewhere or borrow money.

This has been shown to be true by a number of surveys. For example, Citizens Advice Camden found 62 per cent of claimants were cutting back on essentials and 46 per cent were borrowing from family and friends.¹

Finally, it should be noted that the figure we have given for total summonses is likely to be an underestimate. Two boroughs with the highest minimum payments, Harrow and Barking and Dagenham, have failed to provide us with figures. In addition, Havering, which introduced a minimum payment of 15 per

cent for the first time in 2015/6, has also been unable to tell us how many claimants were summonsed. This is extremely worrying, particularly in the case of Havering, as it means that these authorities are not monitoring the impact of their schemes on their poorest residents and are unable to ascertain the result of any changes they have made.

Case study: Elizabeth

Elizabeth is a single parent with an 11 year old child. She was employed, but had to give up work as she is expecting a second child. She now claims income support. After being made homeless in a borough that provided 100 per cent support, she was placed in temporary accommodation in a borough with a minimum payment. At no point was she advised of the need to apply for council tax support in the new borough. After four months, she received a court summons for her full liability. Although she is now applying for council tax support, she will still be left with a significant debt as the backdating rules do not cover the full amount she owes.

CLAIMANTS IN ARREARS

In 2015/16, the number of council tax support claimants in council tax arrears continued to rise. There were over 131,000 claimants in arrears as of March 2016, an increase of 8,000 on the almost 123,000 in arrears in March 2015. This increase in the number of claimants in arrears stands in contrast to the decline in the number of summonses. In our view, this is largely explained by arrears from previous years remaining outstanding. For example, Hillingdon provided a helpful breakdown of the number of accounts of claimants in arrears as of May 2016 by the financial year from which the debt was owed.

Table 3
Claimants in arrears in Hillingdon

Financial year	Accounts in arrears
2013/14	1,303
2014/15	2,094
2015/16	3,712

This shows the way that debts for multiple years can stack up in this manner, underlines the fundamental problem with asking people to pay a charge they simply cannot afford and poses serious problems for the long-term viability of minimum payment schemes. As Eric Ollerenshaw, who led the independent review, put it:

*This does put the sustainability of the [local council tax support] system in question: how long can councils continue to wait on stacked council tax arrears, and how many debts can councils write off?*³

ENFORCEMENT

Last year's report found that the fall in court summonses from 2013/14 to 2014/15 had led to a corresponding decline in enforcement methods. However, despite the continued decline in the number of court summonses issued, there has been an increase in all enforcement methods across London in 2015/16. This would appear to demonstrate that, with the exception of a small number of boroughs, councils in London are pursuing harsher collection and enforcement strategies against council tax support claimants than in previous years.

Costs

When a local authority issues a court summons for non-payment of council tax, it is entitled to charge the tax payer additional costs. If a liability order is granted against the debtor, then the costs increase further. In contrast to Wales, where costs are capped at £70, authorities in England are entitled to charge whatever they deem to be a reasonable reflection of the costs actually incurred. In London, this varies from £65 in Southwark to £125 in Hillingdon.

In 2015/16, just over 81,000 claimants were charged a total of £8.9 million court costs – an increase of 10,000 claimants on 2014/15. As well as an increase in the absolute number of claimants charged costs, 2015/16 also saw an increase in the proportion of those summonsed who were charged, increasing from 70 per cent in 2014/15 to 83 per cent in 2015/16.

In our view, all that adding costs in excess of £100 to relatively small debts achieves is to inflate the amount owed and making it even harder to pay. The experience of Islington, which continued its policy of not charging costs to claimants in 2015/16, demonstrates that this does not have a negative impact on collection rates.

Bailiffs

A total of 19,212 claimants were referred to bailiffs in 2015/16. This is 51 per cent more than the 12,692 referred in 2014/15, despite the significant fall in claimant numbers. As well as this considerable increase in the absolute numbers of claimants who had their debt passed to bailiffs, there has also been an increase in the proportion of those summonsed who were referred, rising from 17 per cent in 2014/15 to 25 per cent in 2015/16.

Despite the fact that almost all boroughs charging a minimum payment state that deductions from benefits remain their preferred means of collection, only 11,000 were sought in 2015/16, far less than the number referred to bailiffs. One of the main reasons for this is that authorities adopt in-year collection policies, meaning they aim to collect all council tax owed within the year for which the liability is for. At £3.70 a week, the maximum level of deduction from benefits does not allow this target to be achieved for authorities with higher minimum payments, particularly where costs have been added. For example, in Harrow, where the 30 per cent minimum payment now equates to £459 per year, the maximum in-year attachment of benefits of £192 would leave £267 in outstanding debt.

Case study: Jenny

Jenny is a single adult getting employment and support allowance. She lives in a housing association property and is subject to the 'bedroom tax'. She owes £472 in council tax arrears to her former local authority, which she is repaying through a deduction from her employment and support allowance. She is now liable for £261.25 in council tax to her current authority but is unable to pay due to insufficient income, as she is already paying off her previous council tax debt and rent arrears accrued as a result of the bedroom tax. Despite her obvious vulnerability and clear hardship, her authority has refused to grant her a discretionary reduction.

Looking at these calculations, it is easy to see why an authority seeking to maximise collection would opt to refer a claimant to bailiffs rather than request a deduction from benefits. In our experience, however, this approach can prove short-sighted as the substantial fees charged by bailiffs inflate the debt, making it even harder to repay. At the same time, any money collected by bailiffs goes to paying off their fees first before the council sees a penny. In contrast, deductions from benefits at least guarantee direct repayment to the council, albeit at a slow pace, and avoid any risk of exposing vulnerable debtors to aggressive bailiff behaviour.

Benefits are supposed to be the minimum necessary to live on and as such the maximum deductions from benefit is set at this level so that it is not undermined. By setting their minimum payments at levels that go beyond the maximum annual deduction from benefits, authorities are leaving claimants with less than what the government deems the bare minimum necessary to live in.

Liability orders

One potential explanation for the increase in both costs charged and bailiff use, is the increased proportion of claimants summonsed who were issued with a liability order. Once a summons is issued, a council may withdraw it if the debtor pays a portion of the debt or agrees a repayment plan, and in such cases costs are sometimes waived. If this doesn't happen, they proceed with the court

hearing and the magistrate usually issues a liability order, a legal notice which gives the council the power to engage bailiffs or seek a deduction from benefits.

In 2014/15, liability orders were granted for 72 per cent of claimants who had been summonsed. However, in 2015/16 liability orders were granted for 80 per cent of those summonsed. This indicates that fewer arrangements were made prior to court which could be a result of either less debtor engagement or councils being less inclined to accept repayment plans and pursuing harsher enforcement strategies.

In our opinion, a negotiated repayment plan between the debtor and authority prior to the court hearing remains the most sustainable option for both the claimant and the council. That London councils are achieving this outcome in fewer cases is a cause for serious concern.

An insight into the adoption of a harsher collection policy is provided by Bexley. Bexley was highlighted in our previous reports as an example of best practice as it neither charged claimants court costs nor referred them to bailiffs. However, in 2015/16 this policy was reversed and it charged costs to 2,673 claimants and referred 3,741 to bailiffs, the most of any authority in London.

“Following a drop in the level of Council Tax received after two years of the new scheme’s operation, the Council took the decision in June 2015 to consider the use of Enforcement Agents so as to avoid a further deterioration in Council Tax collection levels. Such action is only ever used as a last resort, and where previous attempts at making an arrangement have proven unsuccessful.”

Councillor Don Massey, cabinet member for finance, London Borough of Bexley

Our previous report showed that when Bexley increased its minimum payment in 2014/15, it experienced an increase in arrears, courts summonses and a consequent drop in collection. It is clear that the increase of Bexley’s minimum payment up to 15 per cent was the real cause of falling collection rates, as low-income households increasingly struggled to pay the higher charge.

The basic fact that low-income households have insufficient money to meet the charge is not changed by the use of enforcement agents. Indeed, they actually make it harder for claimants to pay off the debt as it is increased by fees and any payments go to paying off the agent’s fees first.

Best practice

In stark contrast to the general picture, a small number of councils have adopted innovative collection procedures which can be highlighted as best practice. Chief among these is Lambeth, which has gone from using bailiffs in the largest number of cases in 2013/14 (3,244) to not using any in 2015/16. Lambeth has also seen

a significant reduction in summons from 8,933 in 2013/14 to 2,176 in 2015/16.

This dramatic reduction is a result of a new 'Income and Debt Policy', implemented in April 2015. The policy brought in additional recovery measures for residents in receipt of council tax support and established Advising London, an independent debt relief agency. As such, a significant number of additional steps were added to the standard collections process, including:

- SMS text reminders sent to claimants.
- A further soft reminder letter issued if no payment or contact was received, including a flyer from Advising London inviting claimants to a debt advice surgery.
- A telephone call made to claimants from either Advising London or the council tax team. A soft summons letter issued if still no contact made.
- If no engagement was made with any of the above steps, a summons was issued from December onwards, including a further flyer. Advising London advisers were present at the court hearing.

Lambeth recognises that such measures are both expensive and labour intensive but deliver real benefits for both the council and low-income residents.

"These interventions have been intensive in terms of cost and officer time but we believe they are the best way to ensure fair treatment for our residents in receipt of CTS. It has also resulted in a better CTS collection rate than the previous year, vindicating the decision to invest resources initially to support people to be able to pay in the longer term."

Councillor Paul McGlone, Deputy Council Leader for Investment and Partnerships, London Borough of Lambeth

Lambeth's collection rate for council tax support claimants increased from approximately 80 per cent in 2014/15 to 93 per cent in 2015/16, meaning it had gone from having one of lowest collection rates in London to one of the highest. Other boroughs struggling with lower collection rates could learn a lot from Lambeth's innovative approach.

Notes

1. G Cutner and I Newman, *Making the Poor Pay: The Real Cost of the Council Tax Reduction Scheme in Camden*, Citizens Advice Camden, October 2015
2. Advice York, *Pushed into Poverty: The Real Cost of Council Tax Support*, October 2014
3. E Ollerenshaw, *Three Years On: An Independent Review of Local Council Tax Support Schemes*, Department for Communities and Local Government, March 2016

FIVE MITIGATING THE IMPACT

Z2K and CPAG are opposed to the imposition of minimum payments on council tax support claimants in principle. In our view, the most effective mitigation of the impact of 'localisation' on the poorest residents is for authorities not to charge a minimum payment.

However, we recognise that even several of those boroughs which started charging have at least tried to mitigate its impact either by exempting certain 'vulnerable' claimants, establishing a hardship fund for claimants in financial difficulty or even through less draconian enforcement regimes for council tax support claimants in arrears.

Last year's report noted that 11 boroughs had established hardship funds specifically to help claimants in financial difficulty. Of those 11, however, only Ealing had spent its budget in full. Redbridge and Southwark had spent more than half the fund, but most of the others were far short of that, suggesting that these boroughs needed to be much more proactive in making claimants aware of their existence and also much less restrictive in making awards. We had hoped that this trend would show further improvement in the third year of localised council tax support. If anything, however, things have worsened.

For example, Bexley's hardship fund was halved from £100,000 to £50,000 in 2015/16 at the same time its minimum payment was increased by 5 per cent. Disappointingly, the number of claimants given an award fell correspondingly and the fund remained significantly underspent. Worse still, despite awards having been made to 368 claimants in 2014/15, Southwark stopped its hardship fund altogether in 2015/16, as did Sutton, whose scheme had helped 234 households the year previously. As Table 4 shows, Waltham Forest made 34 awards in 2015/16, but this still left more than 98 per cent of its hardship fund unspent. Nearly 1,000 applicants were refused.

Of the boroughs who responded, only Ealing, Enfield and Redbridge seem to be doing an effective job of promoting their schemes to claimants. However, Ealing appears to have awarded an average of £863 to each of the 436 successful applicants and Barnet appears to have awarded an average of £902 to its 109

Table 4
Hardship funds 2015/16

Borough	Budget	Spend	Applications	Successful applications
Barking and Dagenham	£50,000	No response	No response	No response
Barnet	£100,000	£98,326	663	109
Bexley	£50,000	£31,356	938	160
Bromley	£100,000	£6,952	No response	32
Ealing	£150,000	£376,321	1,317	436
Enfield	£300,000	£217,591	1,231	900
Hackney	n/a	£4,468	145	87
Islington	£25,000	£10,182	101	82
Redbridge	£75,000	£61,036	Unknown	154
Waltham Forest	£750,000	£13,865	1,024	34

successful applicants. Both figures are far in excess of the average minimum payment in these boroughs, and so there must be some doubt as to their veracity.

Enfield's hardship fund offers support to those whose 'uncontrollable living costs exceeded 50 per cent of their income'. In 2015/16, Enfield set aside £300,000 for its hardship fund and reported that £217,591 of that money had been utilised in awards to 900 council tax support claimants. Clearly, therefore, Enfield is both being proactive in encouraging those in arrears to apply, and also fair in deciding who is eligible. It must be remembered, however, that Enfield does have one of the highest minimum payments in London. In January, following its decision to increase the minimum payment to 25 per cent, Enfield's Cabinet agreed an additional £500,000 be added to its hardship scheme reserve.

Barking and Dagenham failed to provide any information about its scheme in response to our inquiries. However, we do know that Barking and Dagenham's full council agreed a £50,000 hardship fund in January 2015, and that a report was finally submitted to its cabinet in February 2016, setting out the eligibility criteria. Surprisingly, the report states that those in receipt of 100 per cent council tax support are not eligible for the hardship fund. In other words, only those in part-time work are eligible. Successful applicants are granted up to two months' relief from their liability. No explanation is given as to why claimants who are

disabled, unemployed or single parents are not eligible. The Equalities Impact Assessment simply asserts there are no adverse impacts on these groups.

Overall then, with the exception of Enfield, our 2015/16 Freedom of Information requests have revealed a worrying decline across London in the number of council tax support claimants being helped by hardship funds. Perhaps even more worrying is the lack of transparency around these schemes. In many cases, significant increases in the minimum payments have been justified to back bench and opposition councillors and to the wider public on the basis that a hardship fund is being set up or extended to help those in greatest financial difficulty. These figures show that most of these schemes are still not being actively promoted to claimants in arrears, and that restrictive eligibility criteria mean that, even when claimants do apply, they are rarely successful in getting an award.

The performance of London's boroughs contrasts to that of Sheffield, which awarded £410,000 to 8,281 applicants in 2013/14. The fund's remaining £90,000 that year was rolled over into 2014/15, and in that year, the £590,000 was spent in full. Sheffield shows what can be achieved when hardship funds are actively promoted and eligibility is not overly restrictive.

These issues with hardship funds were raised by the Local Government Association and in Citizens Advice's submission to the three-year review of council tax support, as well as in our own evidence. Disappointingly, while the final report noted that 'there is sometimes little awareness amongst those who may be in need', it simply concluded that 'it would be helpful if councils monitored the situation'.¹ Experience on the ground shows this 'monitoring' is unlikely to make any meaningful difference to those claimants' whose borough either doesn't tell them about its hardship fund or doesn't even have one in the first place.

The very disappointing approach to hardship funds last year suggests that a better way of mitigating the impact of council tax support is for boroughs to exempt specific groups of claimants such as disabled people who are most likely to be vulnerable, as happens in Brent, Croydon, Enfield, Haringey, Kingston upon Thames, Lambeth and Wandsworth. If boroughs do decide to introduce a hardship fund instead of this, they must both have fair and transparent eligibility criteria and ensure the fund is promoted to council tax support claimants.

Notes

1. E Ollerenshaw, *Three Years On: An Independent Review of Local Council Tax Support Schemes*, Department for Communities and Local Government, March 2016

SIX INDEPENDENT REVIEW

The provisions abolishing council tax benefit were introduced in the Local Government Finance Act 2012.

Following a series of debates in the House of Lords, Peers agreed an amendment to the Bill proposed by the Rt Hon Baroness Hollis of Heigham, requiring an independent review of the effectiveness, efficiency, fairness and transparency of the local council tax support schemes within three years of the policy coming into effect. The amendment also required the review to make a recommendation on whether the local council tax support schemes should be brought within the scope of universal credit.

Baroness Hollis' speech in support of the amendment requiring a review of the abolition of council tax benefit is worth quoting extensively:

This amendment is a very modest and simple one. It simply asks for a review of the Bill within the next three years; that is all...I fear that such local [council tax support schemes] will depend not on a council's unique insight into unique local need but on its prosperity, its reserves, its property values, its demography, its pensioner numbers, its benefit claimant numbers, its second homes and empty homes—everything and anything except the particular need of the particular individual who needs financial support, irrespective of where in the country she may live.

These concerns about effectiveness, efficiency, fairness and transparency may not be realised. I hope that I am wrong about that, but only an independent review will tell us if these schemes are robust, stable, well researched and fully claimed DCLG will have to track all this, whether it likes it or not. That is what governments have to do. This amendment would ensure that such tracking is done independently and publicly, by putting in place a review to which local authorities would contribute so that we can all learn from it.¹

The coalition government decided against using its majority in the House of Commons to overturn the amendment and the requirement for a review became law as section 9 of the 2012 Act.

It was announced by Department for Communities and Local Government ministers in December 2015 that Eric Ollerenshaw had been appointed to chair it. Mr Ollerenshaw is a former MP who had voted for the Local Government Finance Act 2012 during its passage through the House of Commons. His appointment raises serious questions about whether the review itself met the legal requirement for the Secretary of State to make provision for an independent review.

The review was undermined from the outset by the government's refusal to require local authorities to provide any data on the number of claimants in arrears and facing enforcement action to recover the debt. This deficit was highlighted by the Public Accounts Committee two years ago, and so there was plenty of time to rectify it.² The report itself admits that 'this lack of national data is in contrast to the approach taken by the Welsh Government, which collects sophisticated data relating to [localised council tax support] and reports on it annually'.³

These disadvantages might have been overcome by the review had it specifically requested the data from local authorities. However, it chose not to. And while many authorities did respond to the call for evidence, much of the information provided seems to have been a description of their experiences of implementing the policy, collection rates and costs incurred, rather than the impacts on claimants. Over the past three years, our own enquiries have shown that not all authorities actually collect this data, but it really ought to have been the prerequisite for an independent assessment of the policy.

Despite these shortcomings, the review's narrative report is helpful. It acknowledges that minimum payments are having a real impact, meaning that many claimants are cutting back on food and fuel or taking out loans in order to meet payments:

*If an individual's new council tax liability under [localised council tax support] means that they are taking out loans and cutting back on food, then the impact of [localised council tax support] on someone's quality of life may be far greater than the £3.50 or so a week in council tax they have to pay.*⁴

Importantly, it concludes that, while the policy has saved HM Treasury money, it is very unlikely that it has saved money across the public sector – ie, council tax support 'has just shifted some of the cost from central to local government'.⁵ It also makes clear that there is no conclusive evidence that localising council tax support has achieved the government's stated objective of improving work incentives. Interestingly, the report highlights the lack of transparency around the level of funding for council tax support provided by government through its revenue support grant.

The real weakness of the review lies in its recommendations. These, in our view, are wholly inadequate. In fact, they appear to have been written in isolation from

the main report. Recommendation 9, for example, states that ‘Government should take steps to better understand the impact of [local council tax support] on individuals and councils’. That is exactly what the review was originally conceived as doing.

The call for evidence revealed widespread concerns from advice agencies about local authorities’ use of bailiffs to recover arrears from vulnerable claimants. However, the only recommendation on this point is that ‘councils should ensure their debt collection practices remain in-line with government guidance’. The review says nothing about what ministers should do to ensure that happens in practice, or even whether they should concern themselves that so many of the nation’s poorest households are being chased by bailiffs.

Z2K and CPAG are critical of the way the government has taken forward its legal obligation to carry out this review. But we are equally critical of the opposition parties, who don’t appear to have submitted any evidence to it, let alone scrutinised its conduct or challenged its conclusions. In contrast, the Work and Pensions Select Committee made a number of important recommendations following its inquiry into the Local Welfare Safety Net, including that the Ollerenshaw review ‘should investigate, and if necessary, recommend actions to eradicate, local authorities issuing court summons and instructing bailiffs as a way of raising revenue’.⁶ Disappointingly, the government made no reference to this in its response to the committee’s report.⁷

In a Written Ministerial Statement in April 2016, the Secretary of State for Communities and Local Government acknowledged the publication of the review but did not comment on its contents.⁸ There has been no further announcement about when, or even if, the government will respond in detail to the report.

Notes

1. House of Lords, *Hansard*, 22 October 2012, col 12
2. House of Commons Committee of Public Accounts, *Council Tax Support: Forty Eighth Report of Session 2013/14*, March 2014
3. Eric Ollerenshaw, *Three Years On: An Independent Review of Local Council Tax Support Schemes*, Department for Communities and Local Government, March 2016
4. *Ibid* (p68)
5. *Ibid* (p84)
6. Work and Pensions Select Committee, *The local welfare safety net: Fifth report of session 2015/16 (HC 373)*, January 2016
7. Work and Pensions Select Committee, *The local welfare safety net: Government Response to the Work and Pensions Select Committee’s Fifth Report of Session 2015/16 (HC 924)*, March 2016
8. House of Commons, *Hansard*, 11 April 2016, col HCWS6672

SEVEN CONCLUSIONS AND RECOMMENDATIONS

Three years after the abolition of council tax benefit, localised council tax support is continuing to have a serious impact on both local authorities and low-income Londoners.

Localised council tax support has created serious administrative and financial burdens for local authorities. But it has been an even bigger disaster for many claimants. It has done nothing to improve work incentives for claimants, and in some places has led to their further erosion. Worse still, it has deepened poverty levels for those already vulnerable.

RECOMMENDATIONS FOR CENTRAL GOVERNMENT

On the basis of this research, CPAG and Z2K believe that council tax support should be reinstated as a national benefit providing up to 100 per cent support for those people not in work.

However, if it is to remain localised with the 10 per cent funding cut, we make the following recommendations:

- Funding for council tax support should be ring-fenced and separately identified, so that authorities can clearly see how much funding they receive and ensure it is all spent on council tax support.
- The Department for Communities and Local Government should urgently issue guidance to local authorities to collect data on the impact of their council tax support schemes, as recommended by the Ollerenshaw review.
- Ministers should also issue guidance to local authorities to refrain from using enforcement agents to recover debt from council tax support claimants, as recommended by the Work and Pensions Select Committee.

RECOMMENDATIONS FOR LOCAL GOVERNMENT

Although the responsibility for the abolition of council tax benefit lies with central government, this report has shown there are opportunities for local authorities to mitigate the negative impacts on their residents.

We urge London boroughs to reinstate 100 per cent support for their poorest residents, following the lead of the six London authorities that still maintain it.

If authorities maintain that their financial situation makes a minimum payment necessary, then the impact of their scheme can be minimised in the following ways:

- Reduce or keep the minimum payment under 10 per cent as in Camden, Hounslow and Islington.
- Introduce or broaden exemptions to include those in receipt of all disability benefits and income support, as well as claimants affected by other aspects of welfare reform, such as the 'bedroom tax' or the benefit cap.
- Establish a hardship fund and proactively promote it to claimants to ensure it is spent. Any underspend on a hardship fund should be rolled into the following year's budget.

Local authorities should adopt collection practices that seek to maximise collection in a sustainable way by engaging with debtors and understanding the difficulties they face. For example:

- Introduce a vetting stage prior to issuing a court summons, where being in receipt of council tax support triggers further engagement with the debtor.
- Refrain from using bailiffs for collection in council tax support cases, as in Brent and Lambeth.
- Waive court costs for council tax support cases, as in Southwark.

Finally, it is vital that authorities fully understand the impact that their schemes are having. Councils should collect and publish full information on their council tax support schemes, including collection rates, numbers of summonses and arrears. These figures should be presented to all councillors on an annual basis to allow for a full evaluation of the scheme, before a decision is made on the following year's scheme.

