



To
Finance and Corporate Services Scrutiny Board
(Scrutiny Board 1)

Date: 31 October 2016

Subject:
Impact of changes to Local Council Tax
Support Scheme – 6 month review

From
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1 Purpose of the note

The purpose of the note is to provide an update on the changes to the Council's council tax support (CTS) scheme six months after implementation.

2 Recommendations

The Finance and Corporate Services Scrutiny Board is recommended to:

- 1) Consider the content of the briefing note and note progress made to date.
- 2) Identify any recommendations to the appropriate Cabinet Member

3 Background

In April 2016 the Council's revised council tax support (CTS) scheme came into effect. The revised scheme requires all working age households to pay a minimum 15 per cent of their council tax liability regardless of financial circumstance. There are approximately 20,000 working age households receiving some level of council tax support – prior to the implementation of the revised scheme in April 2016 approximately 16,000 working age households had no council tax charge. The change required the average band A household to contribute approximately £3.00 per week towards their council tax liability.

4 Collection Rates

The table below provides an overview of collection and recovery in the first two quarters of 2016/17 for all households in the city.

As at end of quarter 2	2015	2016	Change
Actual council tax collection rate Q2	55.3%	55.4%	0.5%
Actual council tax collected (£000)	67,001	73,152	9.2%
CTS awarded (£000)	26,734	23,490	12.1%
Reminder notices issued	37,540	46,907	25.0%
Attachment of benefits set up	47	1551	3200%

The collection rate from working age CTS cases at the end of September was approximately 47.2 per cent (£1,078,993 from £2,286,840) – compared with an overall collection rate of 55.4 per cent. A basic straight line forecast would suggest that the collection rate for this group by the end of March 2017 will be in the region of 80 per cent – this is higher than the 70 per cent initially forecast which had been based on anecdotal feedback from other Councils who had already reduced their CTS schemes.

There is no historical data in relation to this group so the 80 per cent forecast is a best estimate at this time.

There is £1.21 million left to collect from CTS cases in the final six months of 2016/17 and the current arrangements for these amounts is detailed in the table below.

Accounts on statutory instalments/arrangement	51%
Accounts at final notice before court action	10%
Accounts being recovered through an attachment of benefits	21%
Liability order obtained - enforcement action pending	15%
Cases ready to be issued to enforcement agents	1%
Cases with enforcement agents	2%

The £1.21 million left to collect from CTS cases covers approximately 13,000 accounts with an outstanding balance. Approximately 5,000 (38 per cent) of those cases are technically considered to be in arrears but 10,000 (77 per cent) cases are actively being paid either through normal monthly instalments or an alternative payment arrangement.

Generally CTS cases have not been passed to enforcement agents for collection. Cases that would normally progress to this stage have been held in abeyance pending a review of the volume of cases involved. Currently there are 53 cases at this stage. A further final warning letter will be issued on these cases and if the customer does not respond then the cases will be passed to enforcement agents in line with our standard recovery procedures.

In conclusion, as at the end of quarter two the overall collection position compares favourably in comparison to last year – last year in itself being one of the best on record for collection performance. The forecast collection for CTS accounts is better than forecast prior to implementation. There has been an increase in the number of reminder notices being sent and the volume of accounts subject to

court action but this increase was expected from the outset and has not increased to the extent initially forecast. The cost of sending reminders and obtaining liability orders in respect of CTS cases is estimated to be £15,000 in the first six months of the year.

5 Impact on customers

The Council has invited feedback from Coventry Citizens Advice Bureau (CAB) in respect of the impact that the new CTS scheme has had on Coventry residents and this feedback is included at appendix 1. In summary, CAB has seen an increase in the number of people contacting them about council tax debts and council tax support issues. CAB have commended the Council's approach to implementing the new CTS scheme and the Council's ongoing commitment to mitigating the impact on customers and work proactively with stakeholders. CAB have three main concerns in respect of council tax arrears collection:

1. The affordability of repayment plans
2. The impact of direct deductions from benefits on people with chaotic lifestyles
3. CAB would like to see developments to the Council's My Account customer portal to render the platform more user friendly and thus encourage their clients to switch to this method of transacting

As part of the mitigation against the impact of reducing CTS, the Council published a discretionary reduction scheme for people in the most extreme financial hardship. The Council has received nine applications for discretionary relief since April 2016 – three such applications have been agreed but these applications were from people with no recourse to public funds rather than people impacted by the new CTS scheme.

6 Summary

The CTS scheme requires low income households to contribute towards their council tax liability. It has been acknowledged from the outset that collecting council tax from people impacted would be challenging and would need to be undertaken with sensitivity. The vast majority of people, as expected, have paid and are paying their council tax. The Council has adopted a measured approach to collecting from households that have fallen into arrears – we are not applying for court costs and we have delayed sending accounts to enforcement agents as we would in normal circumstances. More generally our enforcement officers have been instructed to take a more pragmatic approach to payment arrangements for CTS cases and to consider each case on its merit.

Feedback from Coventry Citizens Advice Bureau

Impact on clients

For the city of Coventry Coventry Citizens Advice Bureau (CAB) are able to provide figures on the number of council tax-related enquiries they have received since the introduction of reduced council tax support (CTS). The key results are as follows:

- Council Tax arrears remain the number one debt enquiry issue faced by Coventry CAB advisers: a position held since the new case recording system was introduced in 2014.

Enquiry type	Q1 2015/16	Q1 2016/17	change	Q2 2015/16	Q2 2016/17	change
Council tax debt enquiries as % of all debt enquiries	15.2%	19.5%	4.3%	17.7	21.7	4%

- Council tax benefit/support enquiries in the first two quarters of 2016-17 show an increase from the same period in 2015-16: an increase of 16.4% over quarter one and an increase of 31% over quarter two.

These enquiries cover all aspects of council tax recovery: from disputes over liability for council tax debts, to issues over repayment methods and problems with enforcement agents. CAB are aware that despite a range of measures taken to ensure every affected customer could prepare for changes to CTS there were still customers who didn't realise it affected them and were not prepared for an increase in their financial burden. CAB is aware that there were a number of clients simultaneously hit by other benefit changes, who simply felt unable to cope financially. CAB recognises that clients are still required to meet their council tax liabilities.

The issues which continue to face those struggling to pay the new CT liability are common to any low income group faced with an increase in essential expenditures but no corresponding increase in income. Some have deliberately (sometimes inadvertently) ignored the new CT demand as unaffordable, while others have found a way to meet their liability: either through a one-off payment, through a repayment plan or, as the Council's statistics suggest, through direct deductions from benefits.

In the face of these issues CAB commend the City Council's approach of favouring deductions from benefits and earnings – as well as an emphasis on agreeing affordable repayment plans – ahead of automatic referrals to enforcement agents because CAB see this as an acknowledgement that the majority of those in arrears fall into the category of 'can't pay-won't pay' rather than 'can pay-won't pay'. CAB also commend the City Council for their intent to work

closely with advice agencies and others to proactively mitigate the potentially damaging impacts of these CTS changes on their most vulnerable customers. Nevertheless, CAB continue to have concerns about the ongoing collection of CT arrears.

Though it is impossible to say in detail what people's experiences are, household by household, the concerns of CAB centre on three issues: what are those on a low income not now paying in order to pay their council tax instalments; secondly, for those with unpredictable incomes and chaotic lifestyles how secure are direct deductions from benefits as a regular source of repayment; and, thirdly, how can the My Account customer portal be made more user-friendly so that council tax customers are more likely to buy-in to online claims management.

As expected from any important benefit change, even a benign one, changes to the CTS system have caused some confusion and customer detriment, especially amongst the vulnerable; even if temporarily. Reduced CTS has exaggerated and elongated this detriment while delivery issues have intensified this detriment and unnecessarily sustained hardship for some. Nevertheless it is important to note that we continue to work closely with the Council and others to minimise customer detriment and maximise council tax collection.

Summary

Coventry Citizens Advice has noted, and commends, the approach taken by the City Council to both the roll out of a reformed CTS scheme and the recovery of Council Tax arrears. It recognises difficulties faced by the City Council as well as its low income council tax payers and supports the pragmatism and flexibility shown by the revenues and benefits service in avoiding unnecessary or premature referral to enforcement agents, particularly for vulnerable customers. But while it continues to be included in, and contribute to, stakeholder discussions on council tax recovery operations and performance, it also continues to have ongoing concerns about some aspects of council tax arrears recovery: most notably the affordability of repayment plans; the arguably inherent insecurity of direct deductions from benefits as a reliable source of repayments for those leading chaotic lives; and the user-unfriendliness of online accounts (My Account) in conjunction with the lack of digital skills or confidence of some council tax customers.