



Coventry City Council

Briefing note

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

Date: 27 June 2017

Subject:
Impact of changes to Local Council Tax
Support Scheme – 12 month review

From
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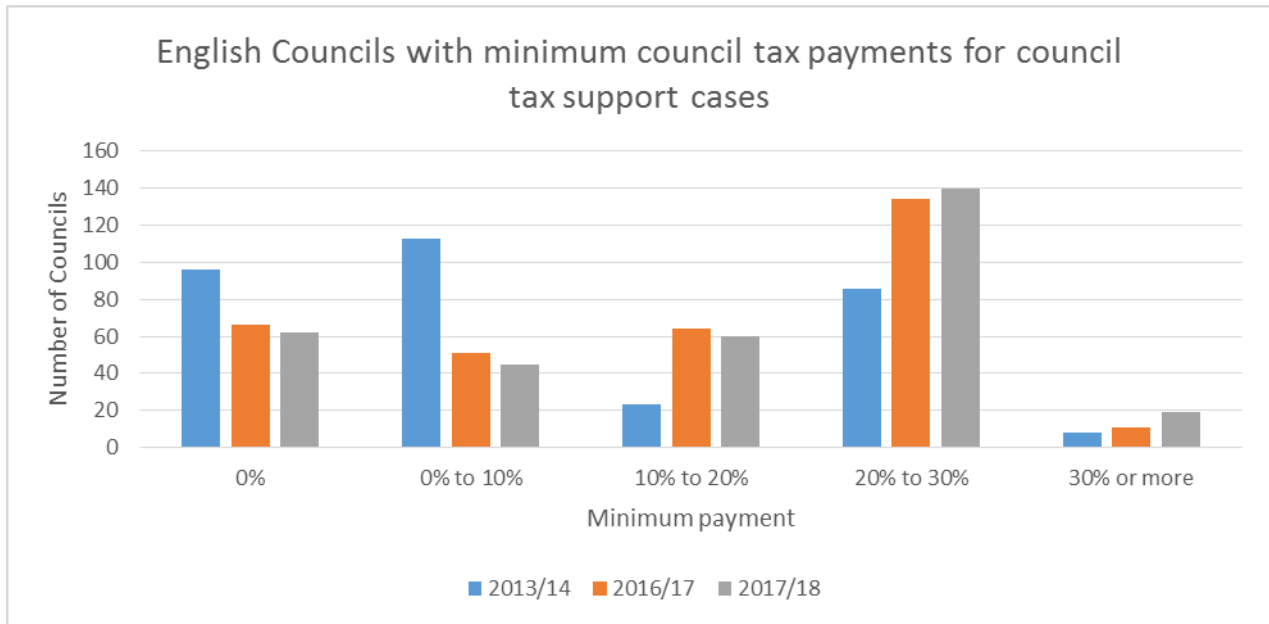
1 Purpose of the note

The purpose of this note is to update Scrutiny Board 1 on the impact of the Council's revised council tax support (CTS) scheme 12 months after implementation.

2 Background

In April 2016 the Council's revised 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. In April 2016 there were 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.

As seen from the chart below, Coventry was one of only 96 English Councils not to require a minimum payment during the first year of the devolved local schemes – 2013/14. As the chart shows, the number of Councils requiring a minimum payment has increased year on year. In 2017/18 159 Councils will require a minimum payment in excess of 20 per cent and only 62 Councils will require no minimum payment.



Source: New Policy Institute <http://www.counciltaxsupport.org/schemes/>

3 Collection Rates

During 2016/17 the overall CTS caseload reduced from 29,608 to 29,380. During the same period the number of working age cases reduced from 19,185 to 18,326. This is inkeeping with a wider national trend with the number of people claiming benefit reducing in response to increased levels of employment.

In 2016/17 the Council awarded £23.2 million in CTS compared with £26.4 million in 2015/16 – a 12 per cent reduction which represents an additional £3.2 million in collectible council tax.

The overall in year collection of council tax in 2016/17 was 95.84 per cent - a marginal improvement on the 2015/16 position – which in itself was an excellent year. Between 2015/16 and 2016/17 the amount of council tax collectible increased by £10.3 million (8.5 per cent) from £120.2 million to £130.5 million.

The collection rate from working age CTS cases was approximately 75 per cent (£1.88 million from £2.51 million). 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.

The eventual collection rate for CTS cases is forecast at 90 per cent. This is an estimate – the Council has no historical data upon which to base forecast collection rates from this specific group.

The table below provides an overview of council tax collection and recovery during 2016/17.

	2015/16	2016/17	Change
council tax collection rate	95.79%	95.84%	0.1%
council tax collected (£000)	115,250	125,179	8.6%
council tax collection rate from CTS cases		74.8%	
council tax collected from CTS cases (£000)		1,880	
council tax arrears at the start of the period	12,428	12,521	0.7%
CTS awarded (£000)	26,379	23,185	12.1%
Reminder notices issued	55,125	67,344	22.2%
Liability orders obtained	16,444	19,429	18.2%
Attachment of benefits in force	3,134	5,608	79%

As expected, there has been an increase in the level of enforcement activity taking place. However, the collection rate combined with anecdotal feedback from Magistrates Court Hearings, suggest the overall response to the changed scheme has been reasonable.

For the 2016/17 tax year there is approximately £0.63 million left to collect from approximately 5,500 CTS cases. The current arrangements for these amounts is detailed in the table below.

Accounts on statutory instalments/arrangement	24%
Accounts at final notice before court action	16%
Accounts being recovered through an attachment of benefits	39%
Liability order obtained - enforcement action pending	11%
Cases with enforcement agents	9%

Overall council tax arrears were £12.52 million at the 31 March 2017 – an increase of £93,000 from the previous year despite a £10 million increase in the amount of council tax collectible. Nationally, only six of 36 metropolitan LAs in England had lower levels of council tax arrears relative to their collectible council tax. Only four metropolitan LAs collected more council tax arrears than Coventry in 2016/17.

4 Impact on customers

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 received 12 applications for discretionary relief 2015/16 – five 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.

During the first year of implementation the Council did not, in the majority of cases, enforce court costs when obtaining a liability order against persons having to pay council tax for the first time as a result of the new CTS scheme.

In addition the Council varied the standard enforcement process so that CTS cases were not sent routinely to enforcement agents (formerly known as bailiffs) in

the standard time frame for cases of non payment. A delay was built into the process and a further reminder letter issued encouraging people to contact the Council.

In the second year of the new scheme the Council has taken the decision not to enforce court costs for people in receipt of CTS at the point at which the debt accrued.

All cases will however be referred to Enforcement Agents where debts remain unpaid after obtaining a liability order. Council officers will continue to consider individual cases on their merit. In general terms officers are encouraged to recover unpaid council tax from deductions from benefit entitlement at a rate of £3.70 per week even if in some cases this does not reduce the level of debt outstanding.

As with the six month report to Scrutiny Board 1 in November 2016, the Council has invited feedback from Coventry Citizens Advice (CCA) in respect of the impact that the new CTS scheme has had on Coventry residents. This feedback is included at appendix 1.

In summary CCA confirm a significant increase in the number of people contacting them about council tax debts and council tax support issues, as well as an increase in the number of overall debt enquiries that have featured council tax debt among them. CCA explain that this increase in demand has placed a considerable extra strain on CCA advice services. CCA previously commended the Council's initial approach, and mitigating actions, to delivering a reformed CTS scheme. However, CCA have expressed concern that in year two, accounts will be automatically referred to Enforcement Agents once a Liability Order has been obtained. From evidence collected by front line advisers from affected clients CCA continues to identify three recurring concerns in respect of council tax arrears collection (adjusted from those highlighted in the 6 month review):

1. The affordability and sustainability of repayment plans amidst the problematic identification and differential treatment of vulnerable debtors;
2. The impact of direct deductions from benefits on people with chaotic lifestyles with emergent parallel issues surrounding the use of attachment to earnings orders;
3. Recurring issues with what CCA, based on client feedback, consider to be the 'un-user-friendly' nature of the Council's 'My Account' customer portal.

5 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. In year one the Council adopted a measured approach to collecting from households that have fallen into arrears – including being flexible with court costs and delaying 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.

In year two, the Council has committed not to enforce court costs for CTS cases and we will continue to work with colleagues in the advice sector to understand and mitigate where possible the impact of the new scheme on low income households.

Feedback from Coventry Citizens Advice

Impact on clients

1. Coventry Citizens Advice (CCA) records client contacts on issues such as council tax debt enquiries and council tax benefit enquiries on a real time basis. The key findings for 2016-17 were as follows:
 - **Council Tax arrears** remain the **number one debt enquiry issue** faced by CCA advisers - a position held since the new case recording system was introduced in 2014;
 - The **overall number of enquiries** dealt with by CCA **fell** by 7.7% between 2015-16 and 2016-17
 - However, the **overall number of debt enquiries** **rose** by 3.9% between 2015-16 and 2016-17;
 - Specifically, the **number of CT debt enquiries** **increased** by 33% over the same period;
 - The **proportion of all debt enquiries attributable to CT issues** **also rose** from 16% in 2015-16 to 20.6% in 2016-17;
 - **CT debt enquiries** **increased by 58%** between Q3 and Q4 2016-17 (the Q4 figure was the largest figure for the whole year);
 - Between January-March 2017, **CT debt enquiries were between double and triple** the numbers for the same months of the previous year.
2. The primary impact of CTS changes in 2016-17 has been a significant increase in the number of enquiries (CCA workload) on CT debt issues with a simultaneous, but relatively smaller, rise in CT benefit enquiries.
3. CT debt issues played a part in more clients' debt enquiries than previously, suggesting CT worries added to existing growing multiple debt concerns.
4. CCA had to deal with more CT enquiries at the increasing expense of other matters.
5. Coventry Citizens Advice welcomes heartening council tax recovery rates for the year 2016-17. However, several issues raised at the 6 month review held into the client impact of CTS reform remain and, as our evidence suggests, have become more entrenched.
6. Our primary role as an independent advice agency is to ensure potentially vulnerable debtors are identified early and treated differently to others; with respect given to the impact of their vulnerabilities. Vulnerable clients remain liable for council tax, unless exempt, but unsympathetic treatment of them in the debt

recovery process is highly likely to produce poor outcomes for the customer and the debt collector.

7. Our biggest concern has, from early on, been to answer the question, 'If customers who were receiving 100% CTS last year are paying their increased liability this year, what other bills are they not paying in order to do so?' This concern remains.
8. The figures above demonstrate more people are coming to CCA because of problems paying their council tax and that council tax is featuring in more enquiries about multiple debt. Anecdotal case evidence from frontline advisers (available on request) point to: clients with learning disabilities not understanding their changed liability and accumulating arrears because they don't understand why they now have to pay even limited CT liability; clients who are cutting back on food expenditure (and visiting food banks) because this is their only remaining element of 'discretionary spending'; and clients who feel worse off after a deduction from their benefits or earnings because any flexibility they may have had with their weekly budgeting has been taken away leaving them with an unsustainably low income to survive the week on.
9. We appreciated initial efforts by the city council to mitigate issues for vulnerable clients through extensions to repayment time frames, alternatives to online driven repayment methods and the use of deductions from benefits/earnings as a first choice of activity rather than automatic referral to Enforcement Agents. We also acknowledge efforts made by Enforcement Agents to better identify potentially vulnerable CT debtors, work with us to resolve particular cases through the proper use of 'escalation routes' and share performance data with selected advice agencies.
10. However, we are aware that some of these initiatives were temporary and are not being carried forward. We are aware there are still problems identifying potentially vulnerable debtors early and treating them differently. We are aware that issues remain with the widespread use of deductions from income and the impact they have on struggling clients. And we are aware that renewed efforts to promote online payments through My Account are still being hindered by its perceived lack of user-friendliness.
11. With challenges to family incomes only becoming harder we welcome the Council's commitment not to reduce CTS further in 2017-18. However, life is still going to get harder for those already affected by this year's reduction. We must continue to work closely to identify and rectify outstanding issues to our mutual benefit and ensure maximum sustainable collection of CT liabilities commensurate with effective protections for vulnerable clients.