



Coventry City Council

Briefing note

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

Date: 24 January 2018

From
Barrie Strain, Acting Head of Revenues
x3599

Subject:
Impact of changes to Local Council Tax
Support Scheme – 18 month review

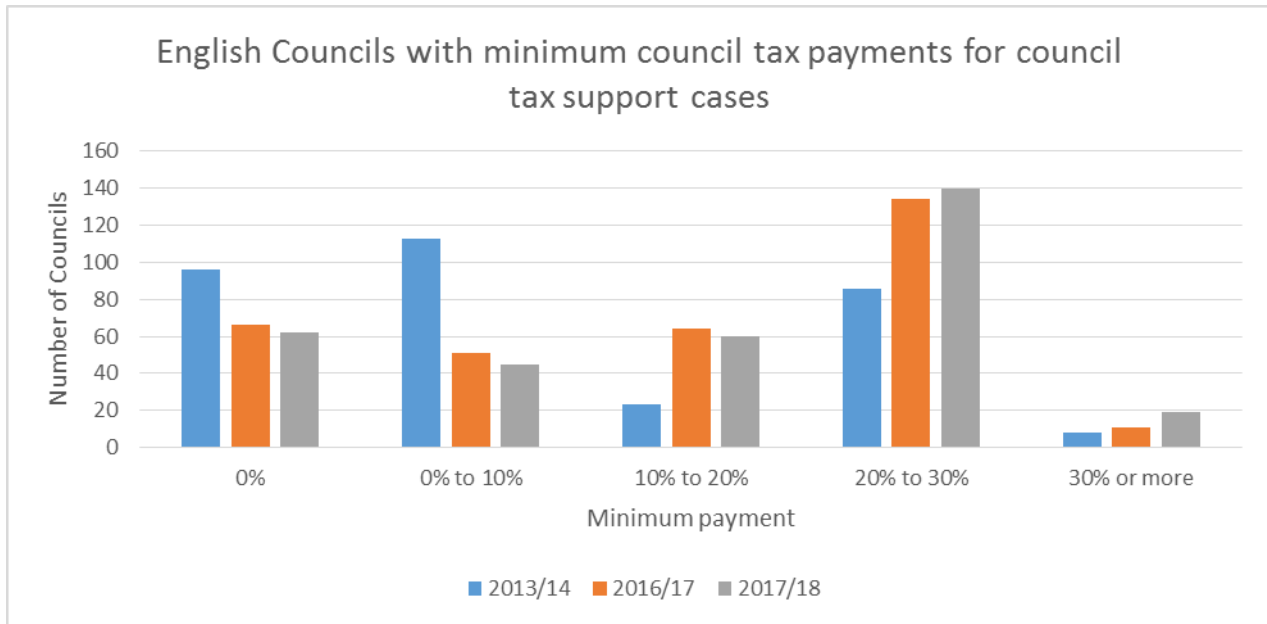
1 Purpose of the note

This paper provides an update on the impact of the Council's revised Council Tax Support scheme in the first 18 months of operation.

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 – approximately 16,000 of these 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

Coventry continues to experience a reduction in the number of people claiming CTS. During 2016/17 the CTS caseload reduced by 0.8 per cent to 29,380. Between April and September this year the caseload has reduced by a further 638 claims – 2.2 per cent. During the same period the number of working age cases reduced from 18,326 to 18,104 (1.2 per cent).

As at September 2017 the Council has awarded £23.37 million in CTS compared with £23.49 million at the same point last year – a 0.5 per cent reduction. This continues a downward trend in the number of people claiming CTS and so the net cost of the CTS scheme continues to fall.

The overall in year council tax collection rate in 2017/18 is 55.5 per cent compared with 55.4 per cent at this stage last year.

The collection rate from working age CTS cases in receipt of 85 per cent support (those who previously would have received full support) was approximately 49.8 per cent at the end of September (£1.12 million from £2.26 million). This is higher than at the same point last year where we had collected approximately 47.2 per cent.

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 between April and September 2017 in comparison to the same period in 2016.

| | Sep-16 | Sep-17 | Change |
|--|---------|---------|--------|
| Actual council tax collection rate Q2 | 55.4% | 55.5% | +0.1% |
| Council tax collected | £73.15m | £78.06m | +6.7% |
| Reminder notices issued | 46,907 | 45,098 | -3.9% |
| Attachment of benefits set up | 5,589 | 5,683 | +1.7% |
| council tax collection rate from 85% CTS cases | 47.2% | 49.8% | +2.6% |
| council tax collected from 85% CTS cases | £1.08m | £1.12m | +3.7% |
| council tax outstanding from CTS cases for 2016/17 | £1.205m | £0.411m | -65.9% |
| council tax arrears at 30 September | £9.72m | £9.59m | -1.3% |
| CTS awarded | £23.49m | £23.37m | -0.5% |

During 2016/17, as was expected, we experienced a significant increase in the level of enforcement activity taking place. In 2017/18 we have seen the level of activity plateau and reduce slightly.

At the end of September the Council had obtained 13,138 liability orders from the Magistrates Court compared to 13,375 in the same period in 2016.

For the 2016/17 tax year there is approximately £411,000 left to collect from CTS claimants previously in receipt of 100 per cent support. The current arrangements for these amounts is detailed in the table below.

| 2016/17 | % | Cases |
|-----------------------------------|-----|-------|
| Paying by instalments/arrangement | 9% | 487 |
| Final notice before court action | 7% | 534 |
| Attachment of benefits | 44% | 1,862 |
| Enforcement agents | 32% | 483 |
| Enforcement action pending | 8% | 212 |

For the 2017/18 tax year there is approximately £1.13 million left to collect and the current arrangements are as follows.

| 2017/18 | % | Cases |
|-----------------------------------|-----|-------|
| Paying by instalments/arrangement | 55% | 8,253 |
| Final notice before court action | 19% | 1,797 |
| Attachment of benefits | 10% | 768 |
| Enforcement agents | 6% | 354 |
| Enforcement action pending | 10% | 658 |

Overall council tax arrears were £9.59 million at the end of September 2017 compared to £9.72 million at the same point in 2016.

4 Impact on customers

From the perspective of council tax collection the data thus far is in line broadly with what was forecast from the outset. The majority of people are making the additional payments and we have not witnessed an adverse impact on either collection rates or arrears.

The Council maintains a close working relationship with colleagues in the advice sector and together we continue to monitor the impact of the CTS scheme on residents. Colleagues in the advice sector have questioned whether residents are paying council tax at the expense of other debts or bills. To some extent this is difficult to quantify and from the outset the Council has acknowledged that the change would require additional payments from low income households – by definition this involves people making decisions about their income and expenditure.

Council officers 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.

Coventry Citizens Advice continue to voice their concern about the use of deductions at source such as attachments of benefits. Again, there is concern that this approach causes people to forgo other bills and expenditure in order to absorb the reduction in income. Nevertheless, attachments of benefits remains a preferred option for many CTS recipients as it ensures their council tax liability is addressed without the individual having to manage the payments.

As part of the mitigation of the impact of the CTS scheme on low income households the Council does not apply for court costs when seeking a liability order against someone in receipt of CTS – this means low income households are not burdened with an addition debt of £81.

Anecdotally we are aware that other Councils are considering introducing or increasing minimum payments in April 2018. This Council has committed not to increase the minimum CTS contribution in 2018/19.

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 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.