



## Still Too Poor to Pay Council Tax Support in London - 2017/18 Update

### Overview

After producing three previous reports on the impact of the localisation of council tax benefit in London, Child Poverty Action Group (CPAG) and Zacchaeus 2000 Trust (Z2K) have continued to monitor developments in 2017/18. This briefing note analyses the data reported back to us through Freedom of Information requests to the 33 London boroughs. (All the data is included in Annex to this briefing). In 2016/17, we found:

- In total, 18,864 council tax support claimants were referred to bailiffs – a slight reduction in the 19,212 referred in 2015/16
- The total number of council tax support claimants dropped by almost 50,000 from 706,572 in 2015/16, to 657,383 in 2016/17
- A total of 89,390 council tax support claimants received court summons - 20 per cent of all working-age claimants

We have found that over the past four years since the abolition of council tax benefit:

- 408,344 summonses for non-payment of Council Tax have been issued to council tax support claimants
- 317,052 claimants have been charged £34.7 million in court costs
- 67,712 claimants have had their debts referred to bailiffs for enforcement.

### Changes to London schemes

2017/18 has seen further reductions to the support available in some boroughs. However, Camden has increased its support. The main changes made were as follows:

- **Camden:** abolished the 8.5% minimum payment and reinstated 100% support
- **Enfield:** increased the minimum payment from 25% to 26.5%
- **Redbridge:** increased the minimum payment from 15% to 20%
- **Richmond:** increased the minimum payment from 5% to 15%
- **Waltham Forest:** increased the 'taper rate' from 25% to 30% and introduced a minimum award level.

Some authorities proposed changes during 2016/17, but did not follow through. For example, Tower Hamlets consulted on introducing a 20 per cent minimum payment while Waltham Forest consulted on a minimum payment increase to 40 per cent. Following local campaigns and lobbying of councillors, both these proposed cuts were withdrawn. The day

before the vote, Redbridge's ruling group decided to only apply its increased 20 per cent charge to unemployed claimants, so disabled claimants are still required pay 15 per cent.

Following these changes there are now eight authorities (Camden, City of London, Hammersmith & Fulham, Kensington & Chelsea, Kingston upon Thames, Merton, Tower Hamlets and Westminster) that still offer 100 per cent council tax support, along the lines of the old system of council tax benefit. Two boroughs (Islington and Hounslow) have minimum payments under 10 per cent. Eleven boroughs have minimum payments of between 10-20 per cent, and twelve have minimum payments above 20 per cent.

### **Impact on Local Authorities**

#### *Claimant Numbers*

2016/17 saw a continued decrease in claimant numbers. The total number of council tax support claimants dropped by almost 50,000 from 706,572 in 2015/16 to 657,383 in 2016/17. This means there has now been an overall decrease of 166,517 claimants in the four years since the abolition of council tax benefit. This represents a reduction of around one-fifth in the number of council tax support claimants in London since 2013.

In total, there were 445,251 working-age claimants and 212,132 pensioner households in 2016/17. While the proportion of working-age claimants remained stable in the first three years, it rose from 63 per cent in 2015/16 to 68 per cent in 2016/17. This means that pensioners, whom local authorities have a statutory obligation to provide 100 per cent support to, now only account for one-third of the council tax support caseload in London.

#### *Cost of schemes*

As a result of this decline in claimant numbers, combined with cuts to the level of support available in a number of authorities, the total cost of council tax support provision in London has fallen further. London boroughs spent £507 million on council tax support in 2016/17, an £8 million decline on the previous year. In total, despite Council Tax having increased in many of London's boroughs in recent years, £95 million less was spent on council tax support in the Capital in 2016/17 than was spent in 2013.

These overall figures mask a significant variation between local authorities that have maintained the same level of support and those that have made cuts. For example, while Waltham Forest (which has made a series of cuts to support) has reduced its council tax support expenditure by almost a third. However, even Tower Hamlets (which has maintained 100 per cent support since 2013) has seen a 9 per cent reduction in spending.

#### *Collection rates*

In 2016/17, the average collection rate for local authorities with a minimum payment was 88 per cent, a small increase on 2015/16 figure of 86 per cent. As is usually the case, this average also masks significant variation. The lowest collection rate was 66.5 per cent in Hillingdon, which had fallen from 91 per cent in 2015/16, presumably as a result of increasing its minimum payment to 25 per cent and abolishing all exemptions.

## *Information Monitoring*

This year, four boroughs with minimum payments failed to provide data on the impact of their schemes. In 2013/14, only one of these boroughs was unable to provide the requested data. This is a worrying trend as it shows that an increasing number of local authorities are failing to monitor the impact of their schemes on residents. For example, Haringey explained why it was unable to answer our request:

*“The reason why we could previously provide this data is that, when the Council Tax Reduction was first brought in, we specifically monitored these cases and collected information to see the effect this new scheme would have on payments.*

*As the scheme is now in its 5th year, we no longer have these cases specifically monitored. All residents are treated equally and recovery action taken in line with legislation and debtors’ financial circumstances.”*

When local authorities are statutorily required to assess their schemes on an annual basis and decide whether to make any changes it is extremely concerning to see that some have made a conscious decision to stop monitoring the impact of their schemes.

## **Impact on claimants**

### *Summons*

In 2016/17, claimants in London boroughs with minimum payments were charged £240 million in council tax, an average of £540 per working-age claimant. Unsurprisingly, many claimants continue to be unable to pay these charges and just over 89,000 were issued with court summons for non-payment in 2016/17, meaning that 20 per cent of working-age claimants were summonsed. This is a reduction of just over 9,000 on the 98,723 who were summonsed in 2015/16, perhaps reflecting the decline in claimant numbers.

The total number of summons issued to council tax support claimants has fallen year-on-year since the first year after the abolition of council tax benefit. In 2013/14, over 118,000 summonses were issued, falling to 102,000 in 14/15 and 99,000 in 15/16. Although declining claimant numbers are likely to be the main driver behind the reduction in summonses, it is also the case that minimum payments have to some extent become ‘normalised’ amongst claimants.

It is undoubtedly the case that 2013/14 saw such high numbers of summons because it was the first time that many claimants had been asked to pay council tax. Four years later, it has become an accepted ‘fact of life’ for many. This means that although meeting their minimum payment still has a negative impact on claimants in terms of a reduced standard of living, the majority are just about scraping enough together to pay it.

In contrast to the general decline in summonses, local authorities that increase their minimum payment tend to also see an increase in summonses, regardless of falling claimant numbers. In 2016/17, this was the case in Waltham Forest, which increased its minimum payment from 16 per cent to 24 per cent and saw a modest increase of 92 summonses more

than in 15/16. However, in Redbridge the minimum payment was trebled and this resulted in over 500 more claimants receiving a court summons than was the case in 2015/16.

### *Arrears*

For the first time since the abolition of council tax benefit, the number of council tax support claimants in arrears fell in 2016/17. As of March 2017, 117,589 claimants were in arrears, owing a total of £26.4 million in outstanding council tax. This means that almost 14,000 claimants moved out of arrears from 2015/16 to 2016/17. However, although some claimants have managed to pay off their arrears, 26 per cent of all working-age claimants remain in debt – far more than the 12 per cent who were in arrears at the end of 2013/14.

### *Enforcement*

2016/17 presents a mixed picture when it comes to enforcement. Overall, the numbers of claimants charged court costs and referred to bailiffs has fallen slightly, reflecting the fall in the number of summonses. At the same time, some boroughs have seen significant increases in bailiff use, while overall there has been an increase in the proportion of those claimants summonsed who have had a liability order granted against them. In total, 86 per cent of all claimants summonsed in 2016/17 had a liability order granted against them, meaning that fewer debts are being resolved without going to court.

In total, 18,864 claimants were referred to bailiffs, a small reduction on the 19,212 referred in 2015/16. As a proportion of claimants summonsed, this was 24 per cent - down from 26 per cent in 2015/16. However, the number of bailiff referrals remains significantly higher than in 2014/15 – when only 13,000, or 17 per cent, of summonsed claimants were referred. Claimants charged costs has also seen a similar reduction, down to around 72,000, or four-fifths of all those summonsed. These claimants were charged £7.3 million in costs, making the total charged in costs over past four years more than £34.7 million.

In contrast to the general decline in bailiff referrals, a number of authorities saw significant increases. Enfield, Greenwich and Hounslow all referred more claimants to bailiffs in 2016/17 than the year before. The biggest increase was in Enfield, where 3,736 council tax support claimants were referred (compared to 2,180 in 2015/16). The administrations in Hounslow and Lambeth have seemingly ended their previous policy of not using bailiffs for council tax support claimants - referring 1,264 and 385 households respectively during the course of 2016/17.

### *Hardship Funds*

Over the four years, a number of local authorities have established “hardship funds” specifically for council tax support claimants – usually in those years when they have increased minimum payments. Our research has shown that the value of these funds is usually only a small fraction of the total savings achieved by making council tax support claimants pay more. These funds are only rarely actively promoted to claimants in arrears and strict eligibility criteria often mean that even claimants clearly in problem debt are unsuccessful. As a result, they are frequently under-spent, and funds left over are returned to the borough’s General Fund, rather than rolled-over into the following year.

In 2016/17, we found nine boroughs still had a hardship fund. The data reported to us regarding these schemes was as follows:

	<b>Budget</b>	<b>Expenditure</b>	<b>Applications</b>	<b>Successful applicants</b>
Bexley	£18,000	£15,663	Not Held	61
Bromley	£100,000	£22,217	Not Held	99
Ealing	£150,000	£312,661	1,321	438
Enfield	£300,000	£177,275	808	677
Hackney	Unknown	£2,965	70	39
Islington	£25,000	£7,243	77	77
Redbridge	£125,000	£70,047	1,535	288
Sutton	£25,000	£9,659	86	52
Waltham Forest	Unknown	£110,800	Not Held	424

In addition, a number of other boroughs reported they had granted a very small number of council tax support claimants “relief” from their bill under the powers of section 13A of the Local Government Finance Act 1992.

## **Conclusion**

In 2016/17, the increased variation in the impact of the localisation of council tax support across London serves to underline how the system has become a literal ‘post-code lottery’. Whether you pay council tax, or how much, is dependent on where you live. In one borough, your council tax debt could be quadrupled with the addition of court costs and bailiff fees, while in another you face a more reasonable approach to repayment.

Localisation has created serious administrative and financial burdens for local authorities. With the roll out of Universal Credit and the withdrawal of funding for Housing Benefit administration these costs are set to increase. At the same time, some local authorities continue to look to make financial savings by cutting support, despite declining claimant numbers. As a result, some of these boroughs have seen a decline in collection rates and an increase in summonses issued to claimants, who are, by definition, their poorest residents.

As it stands, the localisation of council tax support has brought no benefits to either local authorities or claimants. CPAG and Z2K reiterate our call for Government to reinstate a fully funded national system of council tax support. In the interim, we hope local authorities will decide against further cuts to their own local council tax support schemes and instead take steps to ease the burden on those who are financially vulnerable.

## Appendix 1: 2016/17 Data

Council	Minimum Payment	Summons	Charged costs	Bailiffs
Barking and Dagenham	25%	Not held	Not held	Not held
Barnet	20.00%	3,170	2,626	756
Bexley	20.00%	4,059	1,958	2,660
Brent	20.00%	5,083	3,956	0*
Bromley	25.00%	3,765	3,765	2,125
Camden	None	2,841	2,257	51
City of London	None	15	9	4
Croydon	15.00%	3,837	3,452	1,588
Ealing	25.00%	4,078	4,076	591
Enfield	26.50%	6,477	6,477	3,736
Greenwich	15.00%	6,272	6,272	1,118
Hackney	15.00%	5,206	5,206	870
Hammersmith and Fulham	None	Not Held	Not Held	Not Held
Haringey	19.80%	Not Held	Not Held	Not Held
Harrow	30.00%	Refused	Refused	Refused
Havering	15.00%	Refused	Refused	Refused
Hillingdon	25.00%	2,579	2,579	269
Hounslow	8.50%	2,356	2,356	1,264
Islington	8.50%	8,620	0*	0*
Kensington and Chelsea	None	618	563	230
Kingston upon Thames	None	1,426	793	21
Lambeth	15.86%	5,607	5,555	385
Lewisham	14.84%	5,126	3,892	Not held
Merton	None	Refused	Refused	Refused
Newham	20.00%	4,874	4,407	1,452
Redbridge	15.00%	3,362	2,971	417
Richmond upon Thames	15.00%	739	722	101
Southwark	15.00%	3,047	3,047	0*
Sutton	£3.75	1,421	1,421	475
Tower Hamlets	None	Not held	Not held	Not held
Waltham Forest	24.00%	6,575	2,562	495
Wandsworth	30.00%	816	816	256
Westminster	None	Not held	Not held	Not held
<b>Total</b>		89,390	67,973	18,864