

# Citizens Advice Shropshire Response to Shropshire Council Tax Support Scheme Proposal

Performance Management Scrutiny Committee 8<sup>th</sup> November 2017

## Executive Summary

Citizens Advice Shropshire welcomes the approach Shropshire Council has taken to date to minimise the impact of the Council Tax Support scheme since its introduction in April 2013 and understand the financial constraints the local authority is now facing. However, we are concerned this new approach and these proposals:

1. Will have hidden costs that will increase the financial burden to Shropshire Council not decrease it.
2. Will increase hardship on those who are already struggling on low incomes.
3. Are set in isolation from future Welfare Reforms that will also impact on these resident groups

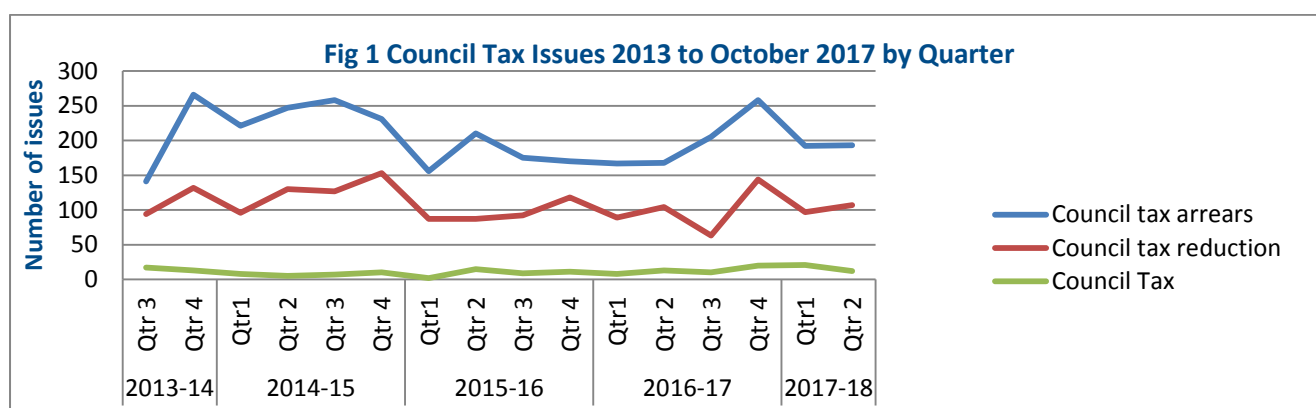
Steps need to be taken to ensure those struggling most are protected through:

1. Not introducing a minimum payment of 20%
2. Proactive research, in addition to the consultation, to identify the full impact of any changes.
3. Working in partnership with VCSA organisations to review annually the impact of any decisions made.
4. Reviewing Shropshire Councils Debt Collection Policy to make it more proportionate and cost effective to all involved.

## Our evidence

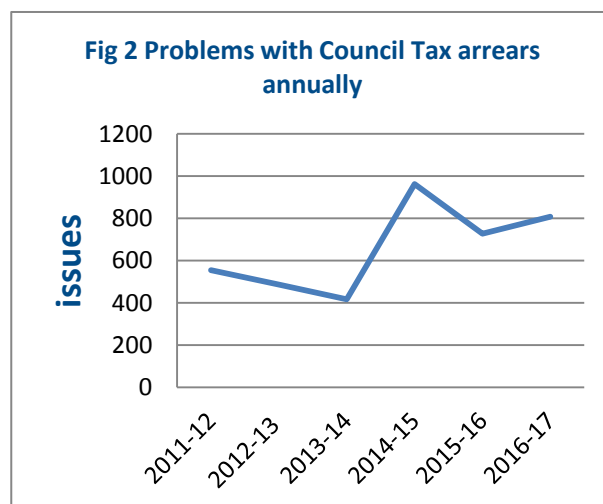
Since 2013 and the change from one national Council Tax Benefit to local Council Tax support schemes – Council Tax has become the biggest debt problem clients come to Citizens Advice (CA) for help with nationally and locally, overtaking credit card debt and unsecured personal loans.

Since the introduction of the scheme to date, Citizens Advice Shropshire has helped 2,824 unique clients with 5,179 issues relating to Council Tax, Council Tax Reduction schemes and Council Tax arrears (Fig 1). Therefore, we have a lot of data and insight that will help Shropshire Council understand the impact of changes to the current scheme.



## Welfare Reform and an impact on the ability to pay

Citizens Advice Shropshire (CAS) saw issues relating to Council Tax arrears rise with the introduction of the local scheme. This was despite the fact that Shropshire has a scheme which projects vulnerable residents by ensuring anyone whose income is made up of 100% welfare benefits does not have to pay towards their Council Tax. However, decisions to scrap the earnings disregard and include certain other previously disregarded benefits in assessing income has had its impact and in 2016/17 the total amount of client Council Tax arrears we have helped to reschedule through Money Advice sessions has risen to £309,977 from £178,904 in 2014.



This rise reflects the impact of welfare reform generally on this client group, including the benefit cap, changes to local housing allowance, removal of the spare room subsidy, benefit freeze, reduction in Working Tax Credits and changes to Employment Support Allowance (Appendix 1).

We also know that clients with Council Tax arrears have other issues and are struggling paying other bills (Fig 3).

Our insight data shows that our Universal Credit clients are more likely to have debt problems than those on legacy benefits.

- A quarter (26%) of the people we helped with UC also needed help with debt, compared to 19% for legacy benefits.
- They are also struggling to pay off their debts. More than 2 in 5 (41%) debt clients on UC have no spare income to pay creditors, compared to a third (33%) on legacy benefits.
- Over three quarters (79%) of debt clients on UC had priority debts, compared to 69% on legacy benefits.
- The ultimate sanction for non-payment of these debts is a loss of home, essential services, essential goods acquired on hire purchase, or even imprisonment.

We are already receiving client feedback concerning the consultation process stating that letter sent from Shropshire Council Revenues & Benefits Dept. is confusing and too complicated. They didn't understand the examples or how the changes would impact on their circumstances.



Occupation	Clients	% Clients
Employed >= 30hrs p/w	196	18%
Employed < 30hrs p/w	56	5%
Employed < 16hrs p/w	61	5%
Employed between 16hrs p/w and 29hrs p/w	87	8%
Self Employed	64	6%
On Govt Scheme For Employment	1	0%
Unemployed - seeking paid employment	170	15%
Permanently Sick/Disabled	183	16%
Carer - Children	62	6%
Carer - Elderly/Disabled	20	2%
Looking After Home - Dependents	32	3%
Looking After Home - No Dependents	6	1%
Retired	126	11%
Student	4	0%
Volunteer	1	0%
Other	43	4%
<b>Grand Total</b>	<b>1,112</b>	<b>100%</b>

Housing Tenure	Clients	% Clients
Own Outright	139	7%
Buying Home (Mortgage, etc)	213	11%
Shared Ownership	13	1%
Council/ALMO Tenant	128	7%
Housing Association/RSL Tenant	692	37%
Private Tenant	515	27%
Housed Through Job/Business	5	0%
Residential Accommodation (Nursing/Care h..	1	0%
Staying with Relatives/Friends (Paying Rent)	30	2%
Staying with Relatives/Friends (Rent Free)	44	2%
Staying with Relatives/Friends	19	1%
Hostel	2	0%
Homeless (incl. B & B Tenant)	12	1%
Prison	50	3%
Other	22	1%
<b>Grand Total</b>	<b>1,885</b>	<b>100%</b>

## Evidence of impact of Option 3 & 4

We know from Citizens Advice research in other Local authority areas (Appendix 2) that setting a minimum contribution for everyone resulted in significant hardship, higher arrears and increased court summonses at a cost to the council.

Other independent research (New Policy Institute report Key Changes to Council Tax Support in 2017/18) also highlights the impact

“Claimants who have not seen an increase in their income or who have been affected by other cuts to the social security system will be forced to spend an increasing share of their reduced income on Council Tax. .... there is a link between higher minimum payments and an increase in Council Tax arrears. As more councils move towards higher minimum payments, this experience suggests there may be an increase in arrears and admin and court costs for both claimants and local authorities. When considering schemes, councils should be mindful of this and of the cumulative negative impact that the CTS scheme may have on top of other policy changes that impact adversely on the poorest.”

In January 2017, based on this evidence, Camden Council agreed to increase the maximum Council Tax Reduction award from 91.5% to 100% of Council Tax to reduce the financial burden on residents with low incomes and reduce child poverty in the Borough.

## Costs to the Council Budget

In the spirit of Shropshire Councils prevention agenda – Options 3 & 4 will only drive up indirect costs to the Council by more enforcement action at a minimum cost of £380:

- Shropshire Council to obtain a Liability Order - Cost £70
- Assign to the Enforcement Agent - £75
- Then instruct Enforcement Agents - first visit cost £235 **Total £380**

**For Option 3 a resident on Band A (average) would have to contribute £105 a year (£2 a week).**

**If they can't afford to pay – that leads to enforcement action of £380 to recover £105.**

**For Option 4 a resident on Band A (average) would have to contribute £211 a year (£4 a week).**

**If they can't afford to pay – that leads to enforcement action of £380 to recover £211.**

## Other indirect costs include:

More people being directed to Housing options as people are unable to pay rent and more people in debt.

Where people do pay it, this can often come out of the food bill or people get pay day loans etc. This would mean more referrals to support agencies and emergency provision such as foodbanks.

Adds stress to the client's life which could lead to a client being considered to be "un-fit" for work, with an increased cost to Public Health, medication, and support services.

The 2017/18 NPI report also evidences an increase in Council Tax arrears and loss of income for Local Authorities where minimum payments have been set:

The 67 Councils that had a minimum payment of over 20 per cent in 2016-17 had the largest overall increase in uncollected tax for that year. These councils had £48.6 million more in uncollected tax than they did in 2012-13. This group's arrears this year relative to 2012-13 is £4.2 million more than last year (when only 53 Councils were in this category).

Councils that abolished CTB but did not set a minimum payment saw no significant change between arrears this year compared to 2012-13 (the group overall had an increase of £10,000). Councils that retained CTB continued to have lower arrears this year than they did in 2012-13. This group's arrears declined by £13.8 million relative to their arrears in 2012-13.

## Recommendations

1. We appreciate that Shropshire Council is facing difficult financial decisions but we believe that the costs of collecting arrears from those who have been unable to pay would be greater than the amount the council are able to collect in additional income. Therefore, we recommend that a minimum payment is not introduced.
2. Further **research into the impact** of these changes needs to be carried out, in addition to consulting to ensure that these cost savings do not just move the problem elsewhere. There needs to be a strategic over view of how all the Welfare Reform changes impact on Shropshire residents and recommend that whatever the Council decision an annual review should be carried out to assess the impact on the poorest of Shropshire's residents.
3. To reduce the indirect costs to the Council and **cost of enforcement** we need to work together as a Council and Advice Agencies to ensure enforcement action is affordable and proportionate. We have been trying to get a date for a meeting with the Council for several weeks to review their Council Tax debt collection policy.
  - a) **Don't engage bailiffs.** A policy should be adopted never to send in bailiffs for Council Tax payers on welfare to work benefits. The amount being recovered does not warrant the stress caused by this type of enforcement.
  - b) **Be flexible in negotiating payment plans.** Someone on welfare to work benefits is never going to be able to pay an annual lump sum, unless they borrow money elsewhere or are lucky enough to have support from family and friends. We need a protocol to allow an arrangement to pay at any stage in the recovery process providing they are contacted by the client or an advice agency.

C) **Place accounts on hold** and try to make verbal contact or send a text message to encourage the household who has got into arrears to engage with Citizens Advice Shropshire or other advice agencies. This would make a substantial difference to the number of summonses issued and to the stress experienced by households who are 'too poor to pay'.

D) We would welcome discussing a process whereby those in arrears can be referred.

E) To ensure that the **principle of proportionality applies** where recovery charges are made in the last resort, with persistent debtors, court summonses may be necessary but charges should be reviewed to reflect the amount outstanding and the fact that courts only charge the council a few pounds for issuing the liability order.

F) The Council should **review the operation of the discretionary payment scheme**. For Council Tax, local authorities have complete discretion and should be encouraged to use it in all cases of hardship. The guidance recommends that in such cases the local authority should consider a discretionary write off in such cases.

Jackie Jeffrey, Citizens Advice Shropshire Nov 2017