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**Attached as follows:**

<b>Agenda No</b>	<b>Item</b>
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12.	<b><u>Local Council Tax Reduction Scheme 2018/2019 (Pages 1 - 20)</u></b>
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**Background Papers A and B to Report No: CAB/SE/17/068**

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Department for  
Communities and  
Local Government

# Localising Support for Council Tax

Vulnerable people - key local authority duties

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# Chapter 1

## Introduction

- 1.1 The Spending Review 2010 announced that support for council tax would be localised from 2013-14 and expenditure reduced by 10 per cent from the same date. The Government subsequently consulted on proposals for the localisation of council tax support in England, and the response to the output of that consultation was published in December 2012, alongside the introduction of the Local Government Finance Bill, which contains provisions to require local authorities to put in place their own localised council tax reduction systems from 1 April 2013.
- 1.2 Localisation of council tax support is part of a wider set of reforms to the welfare system: improving the incentives to work and ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefit dependency. Spending on council tax benefit doubled under the previous administration and in 2011/12 gross expenditure was £4.2 billion in England. Localising support for council tax is intended to deliver a 10% saving on forecast council tax benefit expenditure from 2013/14, and is an important contribution to the Government's vital programme of deficit reduction.
- 1.3 The Government has been clear that, in developing local council tax reduction schemes, vulnerable groups should be protected. The Government Response sets out the Government's intention to put protection for applicants of state pension credit age on a statutory footing. It confirmed that the Government did not intend to prescribe the protection that local authorities should provide for other vulnerable groups, but would consider what guidance was needed to ensure local authorities were able to take into account existing duties in relation to vulnerable groups in designing their schemes.
- 1.4 This guidance note is intended to address this requirement, helping practitioners to understand the statutory framework and develop approaches tailored to the needs of their particular communities. It covers the following duties cited in the Consultation Response:
  - the public sector Equality Duty (*The Equality Act 2010*);
  - the duty to mitigate effects of child poverty (*The Child Poverty Act 2010*); and
  - the duty to prevent homelessness (*The Housing Act 1996*).
- 1.5 It does not tell local authorities what they must do in their schemes to be compliant with these duties, as this needs to be tailored to their own specific circumstances.

# Chapter 2

## The public sector Equality Duty

- 2.1 Local authorities already have clearly defined responsibilities in relation to, and awareness of, those in the most vulnerable situations. The public sector Equality Duty is set out in Section 149 of the *Equality Act 2010*.<sup>1</sup>
- 2.2 *The Equality Act 2010* brought together all previous legislation in England Scotland and Wales, replacing separate duties relating to race, disability and gender equality. The Equality Duty came into force on 5 April 2011. It applies to local authorities and precepting authorities as set out in Schedule 19 of the *Equality Act*. Schedule 18 of the *Equality Act* sets out limited exceptions to the application of the general Equality Duty. For example, there are exceptions in relation to immigration and judicial functions.

### The Equality Duty

- 2.3 The Equality Duty is intended to integrate consideration of equality and good relations into the day-to-day business of local authorities. In relation to making a localised council tax reduction scheme, this means that a local authority will need to consider how a scheme might affect people who share a relevant protected characteristic (defined in paragraph 2.6 below) and people who do not share it. The Equality Duty has three aims. It requires public bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
  - advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
  - foster good relations between those who share a relevant protected characteristic and those who do not.<sup>2</sup>
- 2.4 Local authorities will want to ensure that they have due regard to the Equality Duty in making local schemes. For example, when having due regard to the need to advance equality of opportunity between people who share a relevant protected characteristic and those who do not authorities are required have due regard to the need to:
- remove or minimise disadvantages suffered by people due to their protected characteristics; and

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<sup>1</sup> <http://www.legislation.gov.uk/ukpga/2010/15/contents>.

<sup>2</sup> See The Equality Act 2010, S149.

- take steps to meet the differing needs of people with certain protected characteristics.

2.5 The Act states that to have due regard to the need to take steps to meet different needs includes (among other things) taking steps to take account of protected characteristics, such as disabled people's impairments. The Equality Act explains that compliance with the Equality Duty may involve treating some people more favourably than others.

## **Relevant protected characteristics**

2.6 Relevant protected characteristics covered by the Equality Duty are:

- age (including children and young people),
- disability,
- gender reassignment,
- pregnancy and maternity,
- race,
- religion or belief,
- sex and sexual orientation.

In addition, public authorities in particular need to have due regard to the need to eliminate unlawful discrimination in relation to an individual's marriage or civil partnership status.

2.7 It may assist public authorities (including local authorities) to determine the relevance of the Equality Duty to their various functions in order to have due regard to the duty in the exercise of their functions. This is something that billing authorities may wish to consider in planning and developing their schemes.

## **Requirements of the Equality Duty**

2.8 The Equality Duty is not prescriptive about the approach a public authority should take in order to comply with their legal obligations. However, authorities do have to consciously think about the need to do the things set out in the three aims of Equality Duty as an integral part of their decision-making process, including in relation to the non-prescribed areas of localised council tax support schemes over which they have discretion. A local authority will want to assure itself that it has sufficient information about the effects of the policy on the aims of the Equality Duty.

2.9 Whilst the Equality Duty requires public authorities to consider the three aims it does not require them to achieve a particular outcome. Therefore, if a public authority is aware that a proposed policy may have an adverse impact on some people who share a relevant protected characteristic it should consider that impact and assess it against the wider case for pursuing the policy. If the public authority decides that the benefits of the policy are sufficient to outweigh the impact on those who share the protected characteristic, the ability to explain the justification for continuing with the policy will assist it to demonstrate that 'due regard' has been paid to the Equality Duty. It is good practice for decision-makers in public authorities



to keep an adequate record showing that they have actually considered the Equality Duty and asked relevant questions.

## **Welfare needs of disabled people**

- 2.11 The Equality Duty explicitly recognises that disabled people's needs may be different from those of non-disabled people.
- 2.12 Public bodies should, therefore, take account of disabled people's disabilities when making decisions about policies or services. This might mean making reasonable adjustments, or in some cases treating disabled people more favourably than non-disabled people in order to meet their needs.
- 2.13 In particular, local authorities will want to make sure that additional challenges faced by disabled people which may affect their income (and therefore capacity to pay council tax) are taken into account. For example, this might be by recognising, in designing their schemes, limited ability to work or likely higher-level disability-related living expenses. Authorities will also need to consider the *impact* of their schemes on disabled people.

## **Equality information and engagement**

- 2.14 Local authorities already hold a great deal of information about those with protected characteristics who are in receipt of council tax benefit. Local and national data may also be used to inform choices and decision-making.
- 2.15 It is recommended that, in designing local schemes, authorities engage with representative groups/ people with different protected characteristics at an early stage. Such engagement need not be onerous – authorities might engage with groups with whom they have existing contact, though less visible or new groups should also be considered. Engagement should be proportionate to the size and resources of the authority and impact of change being consulted on, particularly where this has a bearing on equality issues.
- 2.16 Authorities should also make sure engagement methods take into account the needs of people with different protected characteristics. The Equality Act 2010 requires public authorities to make reasonable adjustments for disabled people, including during engagement.

# Chapter 3

## Duty to mitigate the effects of child poverty

3.1 *The Child Poverty Act*<sup>3</sup> received Royal Assent on 25 March 2010. Part Two sets out the local duties of the Act, requiring local authorities to co-operate with named partners<sup>4</sup> to reduce and mitigate the effects of child poverty in their local area.

### Duties

3.2 Specifically, the *Child Poverty Act 2010* requires responsible local authorities and their named partner authorities to:

- *Co-operate*: the Act places a duty on responsible local authorities (those with top-tier functions) to put in place arrangements to work with partner authorities named in the Act to reduce, and mitigate the effects of, child poverty in their local area. The Act requires named partner authorities to co-operate with the local authority in these arrangements;
- *Understand needs*: the Act places a duty on responsible local authorities to prepare and publish a local child poverty needs assessment. This will enable them to understand the characteristics of low income and disadvantaged families in their area, and the key drivers of poverty that must be addressed; and
- *Develop and deliver a strategy*: the Act requires responsible local authorities and partner authorities to prepare a joint child poverty strategy for their local area, which should set out the contribution that each partner authority will make, and address the issues raised in a needs assessment.

### Equality information and engagement

3.3 Taken together, these duties mean that local authorities are likely to have assessed the extent and drivers of child poverty locally. In many areas the local child poverty needs assessments and strategies have now been finalised.

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<sup>3</sup> <http://www.legislation.gov.uk/ukpga/2010/9/contents>.

<sup>4</sup> The partner authorities in relation to a responsible local authority named in the Act are: (a) any district council which is not a responsible local authority; (b) a police authority; (c) a chief officer of police; (d) an Integrated Transport Authority for an integrated transport area in England; (e) Transport for London; (f) a Strategic Health Authority; (g) a Primary Care Trust; (h) a youth offending team established under section 39 of the Crime and Disorder Act 1998; (i) the Secretary of State in relation to his functions under: (a) section 2 of the Employment and Training Act 1973 (arrangements with respect to obtaining etc. employment or employees) and (b) his functions under Sections 2 and 3 of the Offender Management Act 2007 (responsibility for ensuring provision of probation services throughout England and Wales).

- 3.4 Under the duty to co-operate to reduce and mitigate the effects of child poverty, authorities will be required to take into account their local child poverty needs assessment in designing and developing localised schemes. Local authorities should be able to design localised council tax reduction schemes in a way that best suits local circumstances, tailored to what child poverty looks like in the local area.
- 3.5 Authorities may wish to engage with partner organisations with whom they are already working in relation to their child poverty strategy in developing their local council tax reduction schemes.
- 3.6 Authorities will also wish to have regard to the National Strategy for tackling child poverty under the Coalition Government: 'A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives'. The strategy focuses on a range of measures, including strengthening families, encouraging responsibility, promoting work, guaranteeing fairness and providing support to the most vulnerable:

<http://www.dwp.gov.uk/policy/child-poverty/>.

## **Child maintenance**

- 3.7 Child maintenance is money that the parent without the main day-to-day care of a child pays to the other parent. It helps with a child's everyday living costs, such as food and clothes as well as helping to provide a home for the child.
- 3.8 The payment of child maintenance therefore helps to improve children's life chances. This includes making a contribution to lifting children out of poverty or preventing children from slipping into poverty by raising income levels in poor households.
- 3.9 Children who have a positive relationship with both parents are more likely to do better at school, stay out of trouble, have higher levels of self-esteem and develop healthier relationships as an adult. Working together to agree a child maintenance arrangement is one way in which parents can play an active and positive role in their child's life.
- 3.10 This is why it is important that separated parents are encouraged to set up child maintenance arrangements and as much child maintenance as possible reaches children's households. To help this happen, a full child maintenance disregard was introduced into the council tax benefit system (and other income-related benefits) in April 2010. That meant that child maintenance payments were not counted as income when assessing eligibility for means-tested benefits, e.g. council tax benefit. It also meant that separated parents no longer had their benefits reduced in proportion to the amount of child maintenance they received.
- 3.11 Authorities may wish to use their council tax reduction schemes to help encourage separated parents to make child maintenance arrangements and maximise the money reaching children. They could do this by fully disregarding child maintenance when assessing eligibility for their schemes.

## Further information

- 3.12 Further information on the *Child Poverty Act* and duties of local authorities under this is available from the Child Poverty Unit. The Child Poverty Unit brings together officials from the Department for Work and Pensions, Her Majesty's Treasury and the Department for Education:

<http://www.dwp.gov.uk/policy/child-poverty/>

<http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty/a0066610/support-to-meet-the-local-duties-of-the-child-poverty-act.>

# Chapter 4

## The Armed Forces covenant

- 4.1 The Armed Forces covenant, published in May 2011, exists to redress the disadvantages that the Armed Forces community faces in comparison to other citizens, and to recognise sacrifices made. In some cases this will require special consideration, especially for those who have given the most such as those who are injured, disabled and bereaved as a result of service.
- 4.2 The covenant sets out an obligation the whole nation and State has towards those who have served their country in this way:
- [http://www.mod.uk/NR/rdonlyres/4E9E2014-5CE6-43F2-AE28-B6C5FA90B68F/0/Armed\\_Forces\\_Covenant.pdf](http://www.mod.uk/NR/rdonlyres/4E9E2014-5CE6-43F2-AE28-B6C5FA90B68F/0/Armed_Forces_Covenant.pdf).
- 4.3 This is particularly relevant when considering how to treat compensation paid through the War Pensions Scheme and the Armed Forces Compensation Scheme (which pay compensation to those injured as a result of their service, as well as compensation to dependants of those who die as a result of service) in relation to design of schemes for council tax reductions.
- 4.4 Under the existing Council Tax Benefit Regulations 2006, local authorities have been required to disregard the first £10 per week of War Pension Scheme and Armed Forces Compensation Scheme payments when assessing entitlement to council tax support. In addition, local authorities have discretion to top-up the disregard to the full amount, and have been encouraged to do so in line with Armed Forces Covenant Principles – an option which is still open to them under the new system.

### Further information and engagement

- 4.5 Further information on the Ministry of Defence compensation schemes is available at: <http://www.mod.uk/AFCS>.
- 4.6 Billing authorities will want to engage at an early stage with representative individuals and groups in relation to service and ex-service personnel in their area in designing their schemes (see under the Equality Act).

# Chapter 5

## Duty to prevent homelessness

- 5.1 Homelessness legislation, under Part 7 of the Housing Act 1996, provides a strong safety net for families with children and vulnerable people who become homeless through no fault of their own. It provides a consistent, national statutory framework for the provision of homelessness assistance and prevention across England.
- 5.2 Those households who find themselves homeless through no fault of their own and who are eligible and in priority need are owed the main homelessness duty. This is when authorities must ensure that suitable accommodation is made available. Local authorities also have other duties to offer advice and assistance to those at risk of homelessness.
- 5.3 The Localism Act 2012 afforded authorities greater flexibility in how they fulfil the main homelessness duty, allowing them to make private rental sector offers without the applicant's consent.
- 5.4 Under the *Housing Act*, local authorities have a duty to formulate a Homelessness Strategy (S1 (1)), having conducted a homelessness review of the district. Therefore, to enable them to prevent homelessness and secure sufficient accommodation and support for those who have become (or are at risk of becoming) homeless, local authorities must understand who is homeless and who is vulnerable and at risk of becoming homeless.
- 5.5 In considering how to promote their local reduction schemes, local authorities will want to consider how information about council tax reductions is made available to these households once they are secured accommodation.
- 5.6 Taking into account the Equality Duty, local authorities will want to have regard to vulnerable individuals for whom the local authority secures accommodation, or who are at risk of becoming homeless – for example, young people or individuals suffering from mental illness.

### Further information and engagement

- 5.7 Further information is available at:  
<http://www.communities.gov.uk/housing/homelessness/>  
<http://www.communities.gov.uk/documents/housing/pdf/152056.pdf>

Billing authorities are encouraged to engage with representative organisations or individuals and housing authorities in designing their schemes (see under the *Equalities Act* (2.15 – 2.17))

# Have cuts to Council Tax Support in England led to rising council tax arrears?

Carla Ayrton, November 2016

## Introduction and summary

Council Tax arrears have risen in the years since the introduction of Council Tax Support (CTS), a local replacement for Council Tax Benefit (CTB) which tends to be less generous. This briefing paper looks at the relationship between the generosity of council tax support schemes and council tax arrears.

Council tax arrears are becoming an increasingly significant pressure faced by low income families, as shown by recent research from Citizens Advice.<sup>1</sup> For working-age adults in poverty it is the most common bill to fall behind with.<sup>2</sup> The Council Tax collection rate for England fell in 2013/14 after the change from CTB to CTS and three years on has still not recovered.<sup>3</sup>

When looking at the relationship between CTS and Council Tax arrears, we need to look at what has happened at the local level. CTB was administered nationally, whereas under CTS local authorities have been responsible for designing their own support schemes for working-age residents, in the context of reduced funding. Councils have changed their schemes in various ways, with previous NPI research on CTS schemes showing that the most common change to require all working-age CTS claimants to pay some of their Council Tax liability. This paper shows a clear trend between higher 'minimum payments' of this sort and larger increases in the amount of uncollected Council Tax.

For many councils, lacking clarity about how else to fund CTS, there has been a sense of inevitability about the introduction of and increases to a minimum payment. But the relationship with arrears raises important questions about whether this is effective or fair. If it is too high it will increase the amounts of uncollected tax and the administration and court costs associated with recovering unpaid Council Tax. It can also push low income families into debt and is an additional financial pressure suffered by both in-work and out-of-work families on a low income.

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<sup>1</sup> Kelly, M. (2016) Catching up: Improving council tax arrears collection. Citizens Advice

<sup>2</sup> Tinson, A. *et al.* (2016) Monitoring poverty and social exclusion 2016. New Policy Institute

<sup>3</sup> Department for Communities and Local Government (2016) Table 2: Council Tax collection rates, 2011-12 to 2015-16. Available at [<https://www.gov.uk/government/statistics/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2015-to-2016>]

## Background

In 2013 CTB was abolished and replaced by CTS, a system whereby each local authority is free to introduce its own scheme for working-age adults. For the first year of the scheme the funding available from central government was decreased by 10% in comparison to the system of CTB which the government had funded in full. Since then, government funding for CTS has been incorporated into the general grant, which itself has been decreasing.

By January each year local authorities decide how CTS will be administered in the following financial year. The most common measure has been to introduce a 'minimum payment' so that all working-age claimants are required to pay at least some Council Tax regardless of income, although many local authorities have also made other changes such as removing the second adult rebate.

In practice this means that even those on the lowest incomes have to pay some Council Tax. In 2015/16, three years after the introduction of CTS, 2.3 million low-income households faced higher Council Tax payments than they did before CTB was abolished, paying on average £167 in additional Council Tax per year.

The extra pressures of CTS on household finances also need to be understood in the context of overall changes to people's circumstances. Our research in 2015 highlighted overlaps between cuts to CTS and the bedroom tax, with 270,000 families affected by both changes.<sup>4</sup>

## How Council Tax collection and arrears have changed

Council Tax arrears occur when a resident falls behind with their council tax payments. The way that councils pursue missed payments varies from authority to authority. The standard procedure is for the council to send two reminders about unpaid council tax before embarking on further collection and enforcement strategies. This may include asking for the entire year's liability to be paid in one instalment, making an application to the magistrate's court for a liability order, or an attachment of earning or benefits (where the council collects council tax from the household's income or benefits that the council itself administers). They may proceed with enforcement measures, such as debt collection by bailiffs.

### Council Tax collection and arrears in England

Net collectible debit (NCD) is the income that local authorities would collect in each year if everyone liable for Council Tax paid it in full. The table below shows that since

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<sup>4</sup> Aldridge, H. (2015) The overlaps between the bedroom tax and cuts to Council Tax Support. New Policy Institute



the introduction of CTS the estimated amount of NCD has been increasing. In 2015/16 the NCD in England was £25.5 billion, an increase of £2.5 billion since 2012/13 the last year of CTB when it was £23.0 billion. This is likely to correspond both to cuts to CTS and to an expanding Council Tax base, including rising levels of employment.

The total amount of arrears has also increased from £2.4 billion in 2012/13 to £2.7 billion in 2015/16. Within arrears, court and administration costs have also increased from £210 million in 2012/13 to £280 million in 2015/16. Between 2012/13, the last year of CTB, and 2015/16 the net collectible debit (NCD) increased by 11%. In comparison, total arrears (excluding court and administration costs) and court and administration costs grew by 13% and 35% respectively.

The collection rate is the actual amount collected expressed as a proportion of the NCD – the amount that is expected to be collected in Council Tax in the same year. In 2013/14 the first year of CTS the in-year collection rate was 97.0% compared to 97.4% the previous year. This was only the second time since council tax was introduced in 1993/94 that national collection rates have fallen compared with the previous year.<sup>5</sup>

**Table 1. Estimate of net collectible debit, total arrears, uncollected tax, court and admin cost and the collection rate from 2011/12 to 2015/16.**

	2011/12	2012/13	2013/14	2014/15	2015/16
Estimate of NCD (£ billions)	£22.7	£23.0	£24.1	£24.8	£25.5
Total arrears relating to all years at the end of the year shown (£ billions)	£2.4	£2.4	£2.5	£2.7	£2.7
Amounts not collected in year shown – includes court and admin costs (£ millions)	£700	£700	£840	£860	£850
Court and admin cost included in total arrears (£ millions)	£200	£210	£230	£270	£280
Collection rate (per cent)	97.3	97.4	97.0	97.0	97.1

Source: Table 5: Council tax and non-domestic rates - amount collected in year in England: 2011-12 to 2015-16 and Table 7: Council tax arrears and write-offs: 2011-12 to 2015-16, DCLG; the data is for England

<sup>5</sup> Ollerenshaw, E. (2016) Three Years On: An Independent Review of Local Council Tax Support Schemes. Department for Communities and Local Government

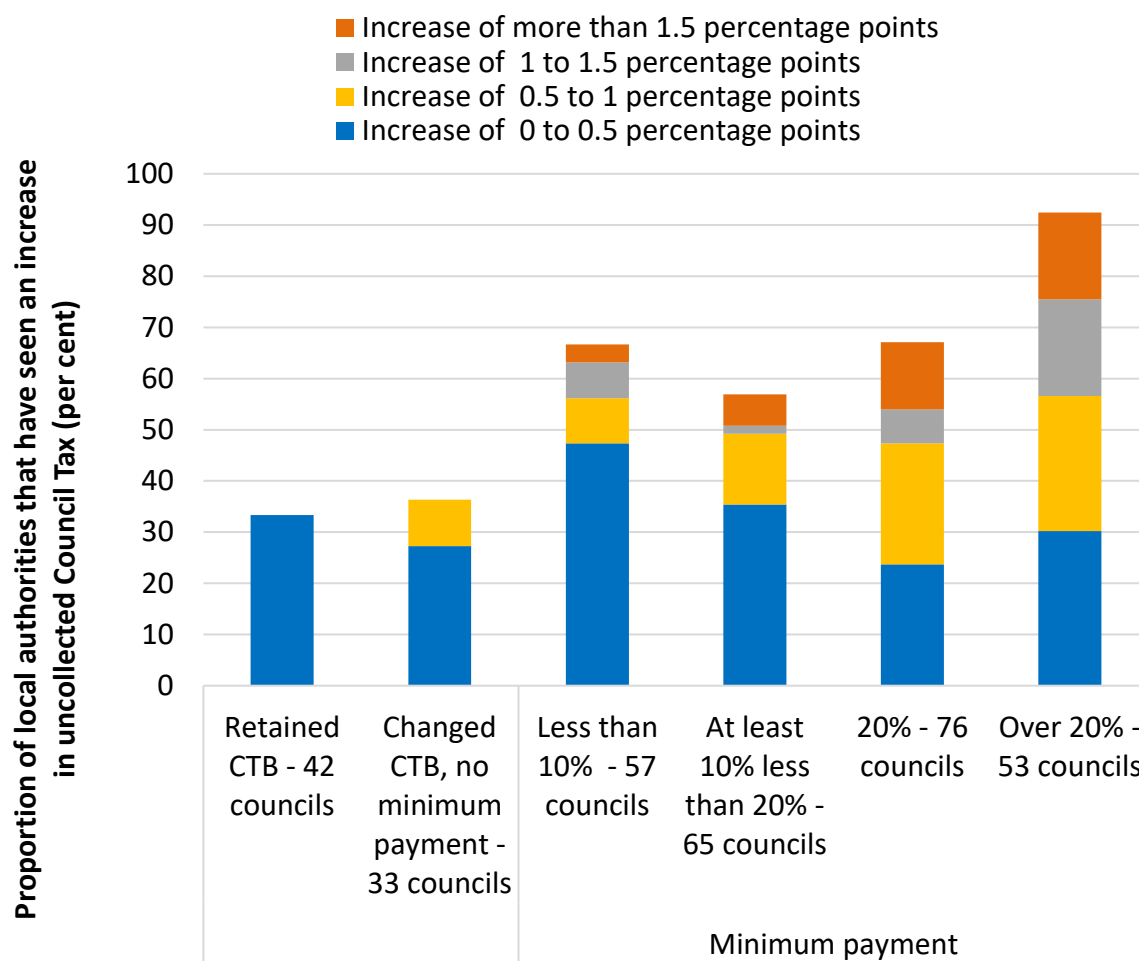
### **Council Tax collection and arrears at the local level**

Council Tax arrears and write-offs have not increased evenly across local authorities in England. One problem faced when looking comparatively at the relationship between local CTS schemes and changes in Council Tax arrears and collection rates is that the data on arrears and collection rates for working-age CTS claimants is not collected systematically and made available by the Department for Communities and Local Government. Nevertheless we can look at how arrears and collection rates for all residents have changed across local areas and how this corresponds to the variation in local CTS schemes.

Figure 1 looks at uncollected tax in respect of that year of council tax (not including uncollected council tax from previous years) as a proportion of the tax which was expected to be collected – net collectible debit. In this way the size of the local authority and their council tax base has been controlled for. Some local authorities have a much larger amount of uncollected tax in absolute terms because they cover larger areas or have more households paying council tax and this has been taken into account.

The bars are grouped according to the scheme adopted by each council in 2015/16, by whether they changed the scheme from CTB, whether they introduced a minimum payment and the size of the minimum payment if one had been introduced.

**Figure 1. Proportion of local authorities that have seen an increase in uncollected tax in and 2015/16 when compared with 2012/13.**



Source: NPI analysis of collection rates and receipts of council tax and non-domestic rates in England, DCLG; the data is a comparison of 2015/16 with 2012/13.

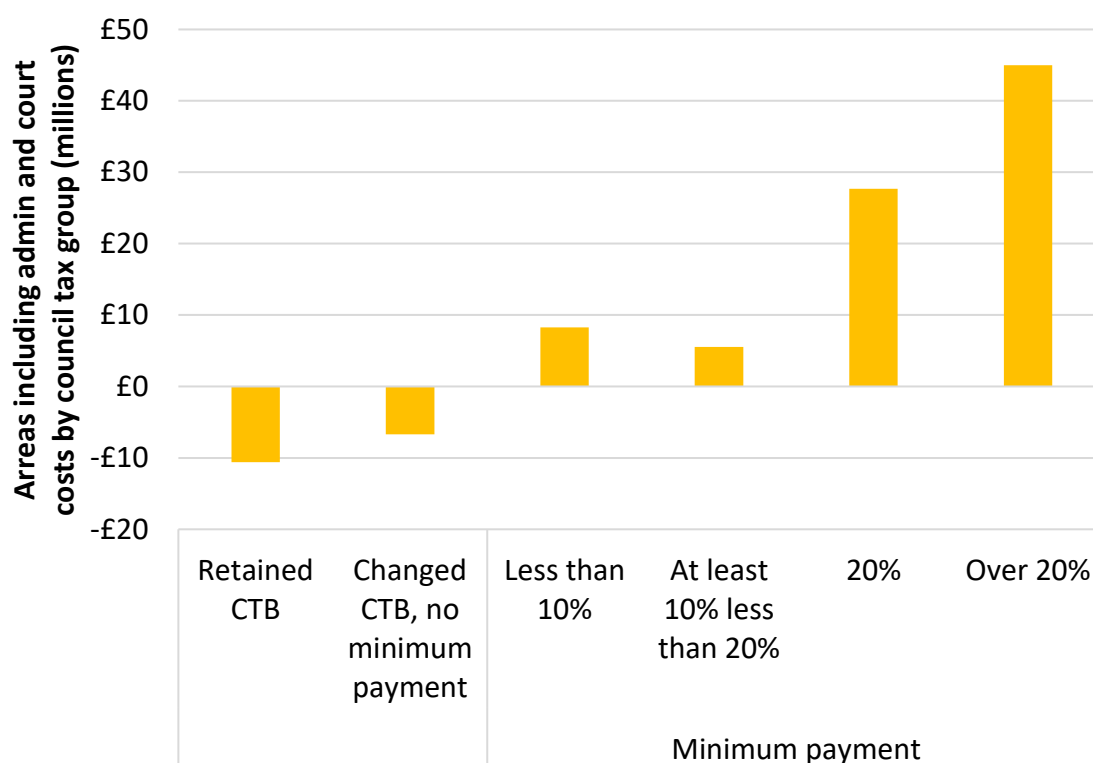
Although for every type of scheme, those with and without minimum payment, the proportion of councils with uncollected taxes has been falling since the first year of CTS. More than 60% of the 75 local authorities with no minimum payment have seen an increase in the collection rate whilst more than half of the 326 who have introduced a minimum payment have seen their collection rate decrease.

Local authorities with the highest minimum payments have been the local authorities with the largest increases in uncollected Council Tax. In 2015/16 compared with 2012/13 the last year of CTB, 14 out of the 42 (33%) councils who retained the full support of CTB saw a small increase in uncollected tax as a proportion of NCD of between 0 and 0.5 percentage points. The remaining 28 (67%) saw a decrease in uncollected Council Tax. Of the local authorities who increased their minimum payment by more than 20%, 4 out of 53 (8%) saw a fall in uncollected tax and 16 out of 53 (30%) saw a small increase of between 0 and 0.5 percentage points. The

remaining 33 of these local authorities (62%) saw larger increases in uncollected tax. 9 out of 53 (17%) of them saw an increase of more than 1.5 percentage points.

These increases may seem small but as the amount of Council Tax that should be collected each year is a large sum – £25.5 billion in 2015/16 – the actual amounts of uncollected tax are also substantial. Figure 2 below takes into account the change in the council tax bases between the years to calculate the additional amounts of uncollected taxes in 2015/16 compared with 2012/13 the last year of CTB. It shows that local authorities with a 20% increase in minimum payment had an additional £27.7 million in uncollected taxes in 2015/16 when compared with 2012/13. Local authorities with a minimum payment of more than 20% had an additional £45.0 million in uncollected taxes in 2015/16 when compared with 2012/13. In contrast, local authorities who retained CTB have seen a decrease of £10.6 million.

**Figure 2. Total additional uncollected tax including admin and court costs of local authorities in 2015/16 compared with relative costs in 2012/13.**



Source: NPI analysis of collection rates and receipts of council tax and non-domestic rates in England, DCLG; the data is a comparison of 2015/16 with 2012/13.

## Collection rates

There are some patterns between the schemes that have been implemented in areas and overall council tax collection rates. 28 local authorities have collection rates that are below 95%. All of these local authorities apart from one have introduced a minimum payment and most of these have a minimum payment of 20% or more. The four local authorities with the lowest collection rates – lower than 92.5% – all have schemes where the minimum payment is at least 10%. These local authorities are in metropolitan areas that had some of the lowest collection rates in 2012/13 when the CTB was still in operation.

## Write-offs

A local authority can choose to write-off debt that it thinks may not be recoverable. The relationship between write-offs and CTS schemes is not straightforward. There are likely to be many factors which affect how councils choose to administer their CTS schemes and councils find different ways to manage increasing non-payment and consequent arrears. For example some councils have hardship funds, although these are not always used effectively. Others put in place different collection and enforcement practices for CTS claimants in the first year of a departure from CTB, which may include writing off arrears.

## Conclusion

The overall collection rate in England fell from 97.4% in 2012/13 to 97.0% when CTS was introduced in 2013/14. In 2015/16 after three years it has not yet recovered and remains at 97.1%. When looking more closely at individual councils, there is a clear trend where uncollected tax has increased most in areas where there has been a greater cut to support to working-age claimants, that is, those with the highest minimum payment.

For councils facing significant budgetary pressures there is a balance to be struck between whether to introduce a minimum payment (or for that matter make other changes), the level at which the minimum payment is set, the effect on uncollected council tax, and debt collection and enforcement practices. As the minimum payment increases those on a low income will find it more and more difficult to pay and may end up in arrears incurring growing admin and court costs (for both the claimants and the local authority) as the local authority tries to recover what are sometimes small amounts of Council Tax. A report by the Child Poverty Action Group (CPAG) and Z2K found that in London in 2015/16 there was a 51% increase compared with 2014/15 of claimants being referred to bailiffs and an increase in the numbers of claimants being charged court costs and the total amount they were being charged

with.<sup>6</sup> This process of Council Tax recovery can be extremely stressful for those subjected to it and can have a long term impact on a family's well-being. In the same report CPAG and Z2K found that claimants were cutting back on essentials like food, clothing and heating or having to borrow money to avoid falling into arrears.<sup>7</sup>

While there is scope for councils to share best practice in the areas of collection and enforcement, councils are aware that there is a point at which it is no longer productive to raise the minimum payment. A council with an already high minimum payment of 45% in 2016/17 is consulting on raising the minimum payment to 68% in 2017/18 but has stated that this could 'adversely impact collection rates'. Meanwhile, other councils have cited increasing arrears and court costs as reasons for reducing their minimum payment in the past two years, while others are currently consulting on this.

### **About this project**

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<sup>6</sup> Ashton, S. *et al.* (2016) Still too Poor to Pay: Three Years of Localised Council Tax Support in London. Child Poverty Action Group and Z2K.

<sup>7</sup> Ibid.