

IN THE MONTHS BEFORE the April 2013 implementation of the new council tax support schemes, it became apparent that the response of the majority of local authorities in England to the cut in their funding was to introduce schemes that did not offer 100 per cent support. Instead, these 'minimum payment' schemes required all claimants to pay a minimum amount of council tax, regardless of their income or circumstances. For the first time since council tax replaced the unpopular poll tax in 1993, the key principle that those who were too poor to pay would not have to, was disregarded.

This meant that of the 5.1 million council tax benefit claimants in England in February 2013, approximately 1.6 million unemployed, sick and disabled people now had to pay council tax – many of whom for the first time. Although this was far more than the number of people affected by the benefit cap and the 'bedroom tax' put together, no steps were taken to monitor the impact. At least with other welfare reforms, the Department for Work and Pensions commissioned research and monitoring of one form or another. But local authorities were not even required to record and report on the basic facts of their schemes, let alone look at their impact. This complete lack of data meant that when the independent review of council tax support finally reported this year, it was inevitably unable to properly analyse the impact.

Along with Child Poverty Action Group, we at Z2K were very concerned about how low-income families would be able to pay these new council tax charges. We knew that benefits were not really enough to live on as it was, and with the multitude housing benefit cuts, caps and freezes on the way, asking low-income families to pay council tax could really be the straw that broke the camel's back.

In London, the minimum payments that were first introduced in 2013 ranged from 5 per cent in Redbridge to 22.5 per cent in Harrow. In monetary terms, this meant £69.93 annually for a Band D property in Redbridge and £344 in Harrow. Some questioned whether a charge of £3 or £5 a week would really be that much to pay, but anyone who has struggled with poverty will tell you that this can be the difference between eating or not.

Our fears were confirmed when we began the research for our first joint report on the impact of localisation in London: *A New Poll Tax?* London local authorities told us that at least 313,519 low-income Londoners were paying more council tax than they would have done

Still too poor to pay

While the myriad of social security cuts introduced by the Welfare Reform Act 2012 have rightfully generated extensive reporting, monitoring and analysis, the abolition of council tax benefit has slipped by relatively unnoticed. In the same year as the benefit cap and the 'bedroom tax' were laid down in legislation, the 2012 Local Government Finance Act set out to abolish the national system of council tax benefit and to replace it with locally administered council tax support schemes.

Accompanying this 'localisation' was a 10 per cent cut in funding and the stipulation that whatever scheme local authorities decided to implement, they must continue to offer 100 per cent support for pensioners. Three years on, Sam Ashton from the charity Z2K examines what the impact has been in London.

under council tax benefit, and that large numbers were simply unable to pay. As a result, almost 40 per cent of those affected received a court summons for non-payment and nearly 16,000 of these were referred to bailiffs.

Our casework experience showed us that although the majority seemed to be managing to make the payments, they were still suffering as a result. Many were cutting back on essentials like heating, skipping meals or borrowing money in order to pay their council tax, and this was having an impact of their health and wellbeing.

We also found that the collection policies adopted by many authorities simply made matters worse. When someone is issued with a court summons the authority is entitled to charge court costs, which are then added to the debt. Although the level of costs varies, authorities in London generally charge in excess of £100, which can significantly increase the debt and

make it even harder to pay. If a claimant is then referred to bailiffs, the debt can balloon further as hundreds of pounds of fees are added on.

The report also identified that several London authorities had cut the support available and expected claimants to pay more. This trend has continued over the past three years, as more and more authorities have increased their minimum payment. In 2013, the majority of London authorities either offered 100 per cent support or had a low minimum payment of less than 10 per cent. But after three years of minimum payment hikes, the majority of boroughs now have high minimum payments of over 20 per cent.

Something that became apparent when examining councils' documents was a complete lack of information on the impact of their schemes. Whether it was in public consultations on minimum payment increases or the documents provided to councillors before they made decisions, there was rarely a mention of how those who were having to pay the charges were coping. Instead, decisions are presented on a purely financial basis: 'the council has to save X amount of money and therefore it is necessary to make these cuts' became the common refrain.

Before proposing to amend its council tax support scheme, a responsible authority should evaluate the impact of its existing scheme, taking into account the experience of previous years by examining evidence on arrears rates, the cost of collection, collection rates and other impacts. Unfortunately, we rarely came across such an evaluation. Indeed, some authorities failed to collect even basic information on the impact of their schemes, let alone present anything to councillors making the decisions.

For example, the London Borough of Havering initially offered 100 per cent support, but in 2015/16 introduced a 15 per cent minimum payment. When we submitted our usual freedom of information request for a report earlier this year, we were told by Havering that it was unable to provide answers because it did not collect the information. This meant that low-income households in Havering went from being charged nothing to paying an average of £227, while the council failed to monitor the impact this would have.

In *Too Poor To Pay?*, our second report tracking the impact in 2014/15, we found that these increases were making it even harder for claimants to pay. In those boroughs that had increased their minimum payment, the number of court summons more than doubled and bailiff

referrals rose by around 50 per cent. Our most recent report, *Still Too Poor to Pay*, found a similar 51 per cent increase in bailiff use across London: from 12,692 referrals in 2014/15 to 19,212 in 2015/16. This was despite the fact that both claimant numbers and summons issued had decreased. The conclusion we drew was that many authorities were pursuing harsher collection strategies, often in contradiction with their stated policies.

For example, most boroughs state that bailiffs are only ever used a 'last resort' and that their preferred means of collection is via deductions from benefits. Despite this, only 11,000 of these were sought in 2015/16, far less than the number of cases referred to bailiffs. One possible explanation for this is that local authorities often have in-year collection policies. This means that they aim to collect all council tax owed within the year of liability. As the maximum amount that can be deducted from benefits is set at £3.50 per week, this does not allow the target to be achieved in authorities with an annual minimum payment higher than £192.

From this perspective, it is possible to understand why a borough looking to maximise collection would opt to refer a claimant to bailiffs, rather than request deductions from benefits. However, when we raised the issue of bailiff use, some authorities failed to see there was a problem. They often replied that bailiffs are now covered by regulations limiting their behaviour and protecting vulnerable debtors. But our experience is that this is not the case.

Despite new regulations, bailiffs frequently act in an aggressive and intimidating manner, which can cause serious emotional and mental distress. Indeed, a recent nationwide survey of debt advisers showed that 75 per cent of respondents felt that enforcement agent behaviour had either not changed or had got worse since the regulations came into force.¹ We therefore believe that bailiffs are a totally unsuitable enforcement method for council tax support claimants, many of whom have multiple vulnerabilities.

Z2K once supported a lone parent who fell behind on her council tax payments. When her local authority responded by forfeiting her right to pay by instalments and demanded she pay her entire annual liability in one go, she was unable to. Shortly after, she received a knock on the door from a bailiff who intimidated her into letting him into her home by claiming he had the right to break in. Upon entering her flat and finding there was nothing worth taking, he proceeded to sit on her sofa and refused to leave until

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she paid the full amount. Despite his behaviour being illegal, she received no help from the police and, in a fit of panic, she was forced to beg her neighbours to lend her the money.

Quite apart from horrific stories such as this, the use of bailiffs is short-sighted and self-defeating for the relatively small debts of claimants. A referral to a bailiff immediately adds £75 to the claimant's debt, quickly followed by a further £235 on the first visit. This simply inflates an already unpayable debt. At the same time, any money collected by bailiffs is first used to pay their fees before the council sees a penny. In contrast, deductions from benefits at least guarantee direct repayment to the council, albeit at a slow pace, and avoid any risk of exposing vulnerable debtors to aggressive bailiff behaviour.

This reticence to use deductions from benefits exposes the core problem with minimum payment schemes. Benefits are supposed to be the minimum amount needed to live on and, as such, there is a maximum deduction, so that this principle is not undermined. By setting their minimum payments at levels that go beyond the maximum annual amount that can be deducted from benefits, authorities are leaving claimants with less than what the government deems is the bare minimum necessary to live on. Is it any wonder that so many cannot pay?

Fortunately, it is not all bad news. Although the majority of authorities have adopted collection practices that give us cause for concern, a number of boroughs stand out as examples of best practice. Brent, Islington, Southwark, Hounslow and Lambeth all managed not to refer a single claimant to bailiffs in 2015/16. These boroughs recognise how unsuitable bailiffs can be for low-income households and have adopted policies of not using them.

In the case of Lambeth, this is a particularly significant development. In our first report, we found that among all the London boroughs, Lambeth used bailiffs the most. Lambeth responded positively to this, and adopted a new income and debt policy in April 2015. This overhauled its collection procedure and introduced a number of extra steps aimed at engaging with debtors prior to enforcement action. The results speak for themselves, with a significant drop in the number of people issued with a court summons and an increase in collection rates. Such best practice should be a model for other boroughs.

Autumn is the time when authorities begin to consult on any proposed changes to council tax support before voting on them in January.

Camden, for instance, is currently consulting on either maintaining its support at 91.5 per cent, reducing support, increasing support to 100 per cent or changing the scheme entirely. Unusually, the council's preferred option is to increase support to 100 per cent. If this change goes ahead, 11,500 of Camden's lowest income residents will once again be free from the burden of paying council tax. Camden says that it can now afford this because the falling number of council tax support claimants has reduced the cost of the scheme and the increase in its council tax base means that more resources are available. It is estimated that implementing 100 per cent support will cost £1.43 million per year. However, this total cost will be offset by a number of savings. For example, the administrative cost of collection will be reduced as staff will no longer waste time and resources chasing the relatively small amounts owed by claimants. Indeed, Camden estimates that it will actually collect £876,000 more if it focuses its collection resources on enforcing larger debts.

This proposal is very welcome. Although Camden has continually offered some of the highest support in London since the abolition of council tax benefit in 2013, its 8.5 per cent minimum payment is still a burden on claimants. For example, Camden had 4,669 council tax support claimants in arrears at the end of 2015/16, and over 500 claimants were referred to bailiffs in the same year. If the proposed change to 100 per cent support goes ahead, claimants will be freed from the prospect of such enforcement action.

At a time when many authorities are cutting the support available under their schemes, it is refreshing to see a council moving in the opposite direction. Indeed, it is quite possible that Camden will be the first council to abolish the minimum payment altogether and for that it should be roundly congratulated. In light of the findings of our most recent report and the ongoing impact on London's poorest residents, we hope that other authorities will follow suit. ■

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Still Too Poor to Pay, by Sam Ashton, Marc Francis and Alice Woudhuysen, is published by CPAG and Z2K and is available at www.cpag.org.uk.

¹ *Has Enforcement Agent Behaviour Improved Since April 2014?*
Summary of adviser survey findings, June 2015

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