

# DCLG Council Tax Support Review: Submission from the New Policy Institute

## Introduction

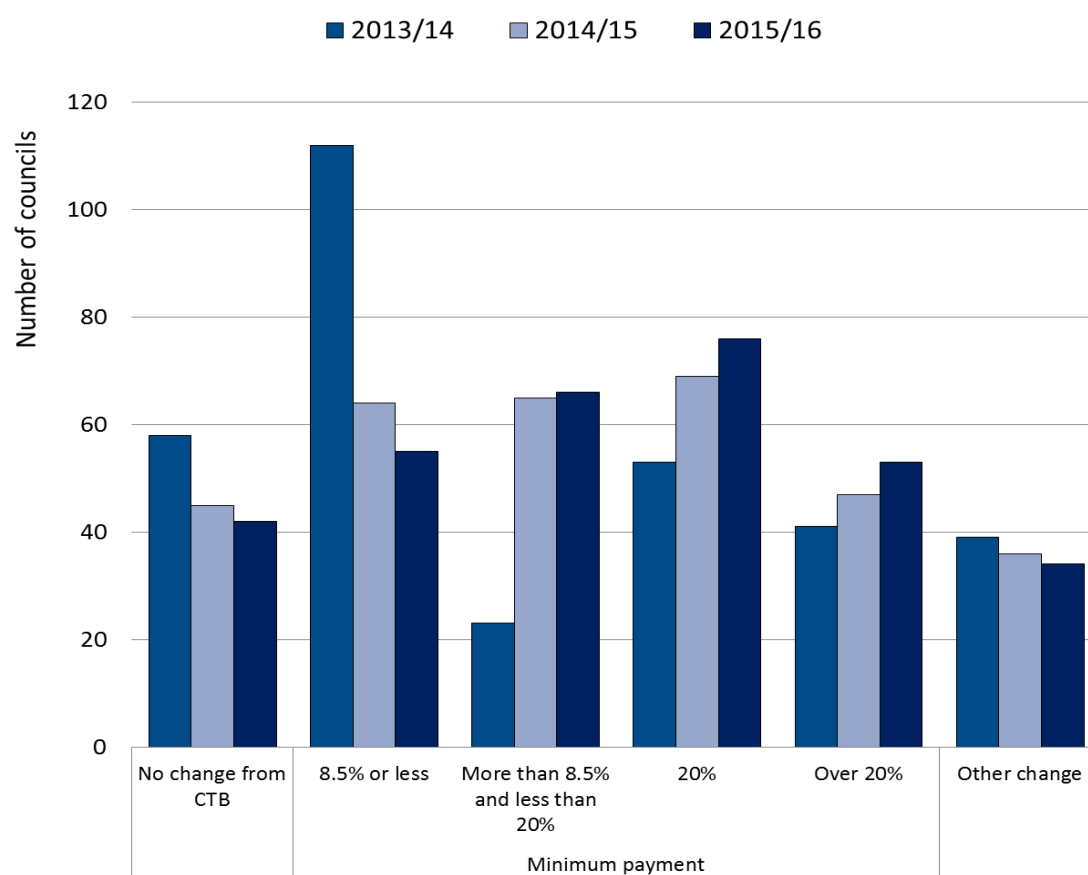
- 1.1. The New Policy Institute (NPI) is an independent research institute that produces evidence-based research on social and economic issues. We are pleased to respond to the DCLG's CTS Review team's call for evidence.
- 1.2. Since autumn 2012, we have conducted four research projects on the introduction and development of CTS by English local authorities, funded by the Joseph Rowntree Foundation (JRF). The first three projects used Freedom of Information (FOI) requests to analyse all local schemes in England, and modelled local variations in the effect on claimants. This extensive data collection and analysis is the basis of the most comprehensive public record of CTS schemes, available on [www.counciltaxsupport.org](http://www.counciltaxsupport.org). This was the basis for [further research](#) into the effect of CTS schemes on arrears, collection rates, and court and administration costs in 2013/14. The [final project](#) drew on qualitative interviews with 15 local authority revenue and benefits officers in early 2015 to analyse how and why decisions were taken on scheme design and implementation, to highlight examples of best practice, and review how CTS interacts with Universal Credit.
- 1.3. Our submission contains three parts: (1) a summary of the findings from our research for the Joseph Rowntree Foundation most relevant to your review; (2) updated analysis of local CTS and council tax arrears for 2014/15; (3) responses in light of this evidence to the review's four themes.

## Findings from our research

### Variations in CTS schemes

- 2.1. There are a range of features that councils have introduced or adjusted under CTS in England. In April 2015: 250 had a minimum amount that all households must pay (a 'minimum payment'); 190 had removed the second adult rebate; 75 had limited the amount of benefit received in higher value properties to the amount received in lower value properties (a 'band cap'); 23 had changed the income taper; 72 had lowered the amount of savings that low income households are allowed before being required to pay at least some council tax.
- 2.2. Minimum payments are usually set as a percentage of a household's full council tax liability. Figure 1 shows how percentages have crept up since 2013, with 42 councils have CTS schemes with no minimum payment in 2015/16, down from 58 in CTS's first year 2013/14. Meanwhile, 55 councils have relatively small minimum payments (8.5% or less) in 2015/16, down from 112 councils in 2013/14. This can be explained in part by the transition funding available in 2013/14 for councils with a minimum payment in this range. Finally, the number of councils who have introduced a minimum payment of at least 20% rose from 94 to 129 in the same period.

**Figure 1: council tax ‘minimum payments’**



Source: NPI analysis, using FOI requests to local authorities, as displayed on <http://counciltaxsupport.org/schemes/>

### Impact on claimants

- 2.3. We estimate that 1.5 million working-age households in receipt of means tested benefits are paying some council tax in 2015/16.
- 2.4. However, there is a great deal of variation in the average amount that claimants have to spend on council tax.
- In 22 local authorities, CTS claimants will pay more than £250 on average in additional council tax in 2015/16
  - In 56 they will pay between £200 and £250 on average in additional council tax
  - In 87 they will pay between £150 and £200 on average in additional council tax
  - In 99 they will pay between £50 and £150 on average in additional council tax
  - In 61 they will pay less than £50 on average in additional council tax

### Best practice

- 2.5. As local areas vary significantly in size, material deprivation, age and their council tax base, it is not easy to determine the merits of one council’s response compared to another. The options available to one council may not be open to another and local

demographics can be an important factor in shaping scheme design. Despite this, it is possible to identify elements of good practice in how councils have implemented localised CTS.

- **Designing an appropriate scheme.** In retrospect, some councils accepted that they could have been more ambitious in addressing a wider range of options when designing their local CTS scheme, including looking at an array of council tax variables. For example, some had the option to make savings by changing other discounts and exemptions. Others sought to tailor their scheme to ensure that it supported a particular vulnerable group.
- **Communication, outreach and advice.** In reaching out to residents who would now have to pay some council tax, councils adopted different approaches, from mail-outs to targeted interventions and one-stop shops. Councils also worked with advice services provided internally or by other organisations.
- **Collection and enforcement.** Treating 2013-14 as a transition year, some councils sought to avoid issuing court summons and calling in bailiffs. But with some councils now have residents owing two or more years' of tax, the costs and benefits of using summons is changing.

### Interaction with Universal Credit

2.6. Universal Credit (UC) was originally intended to incorporate CTB, but does not incorporate CTS. Nor is it obvious how it would do so. Administration is the primary issue: UC is a national system, CTS a set of local ones. The technicalities of integration would be substantial. This reflects two sets of aims at odds with one another: UC is about simplification and standardisation; CTS is about local choice. None of the literature we reviewed was able to square these circles, though the changes in work incentives under most CTS schemes are not large.

## Council tax arrears

### Background: local CTS and council tax arrears in 2013/14

- 3.1. The pattern from our previous analysis of council tax arrears and CTS schemes in 2013/14 was very clear. Councils who chose not to introduce a minimum payment saw a smaller increase in arrears than those who opted for a minimum payment. The larger the minimum payment, the worse the picture becomes. Councils with higher minimum payments were more likely to see an increase in arrears, and the increase was likely to be higher for higher minimum payments.<sup>1</sup>
- 3.2. Analysis by the Institute for Fiscal Studies shows that arrears among CTS claimants rose most where minimum payments were set highest, and fell slightly in areas where there was no minimum payment.<sup>2</sup>

<sup>1</sup> Bushe, S. 'Council tax arrears rise fastest where support is cut most', 14 July 2014.

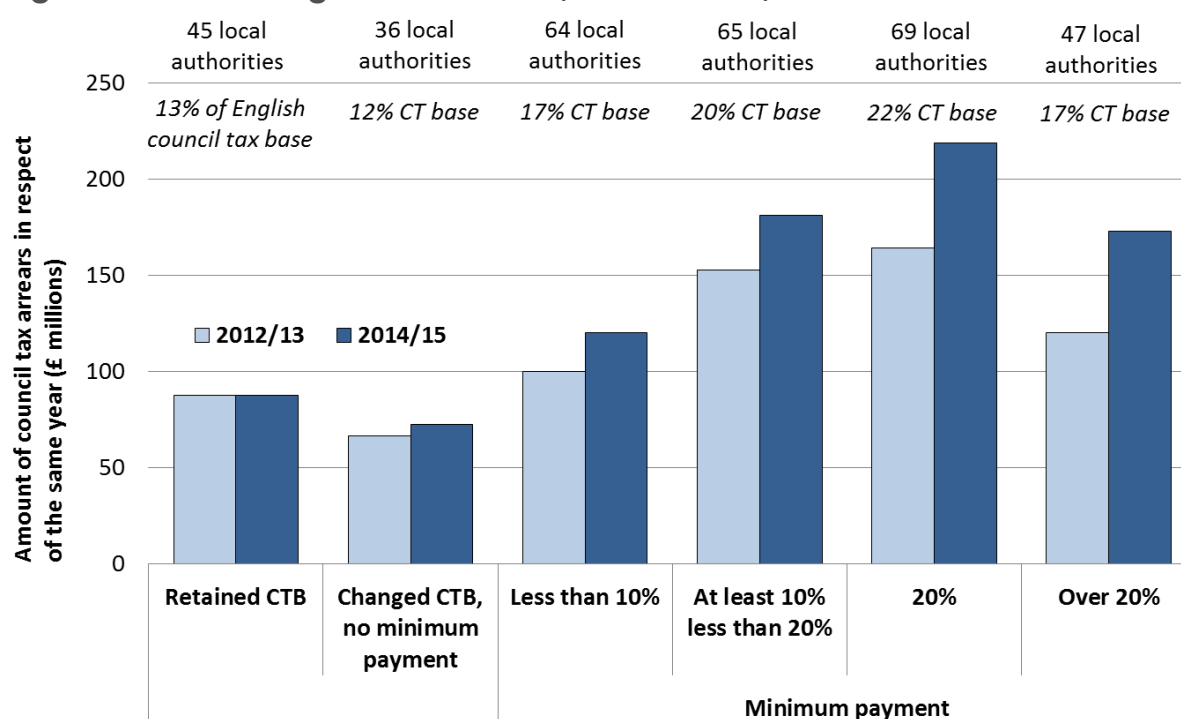
<http://npi.org.uk/blog/council-tax/council-tax-arrears-rise-fastest-where-support-cut-most/>

<sup>2</sup> Institute for Fiscal Studies (2015), *Living Standards, Poverty and Inequality in the UK: 2015*, p. 75, London: Institute for Fiscal Studies.

## Local CTS and council tax arrears in 2014/15

- 3.3. Our updated analysis looks at total arrears in respect of 2014/15 council tax liability outstanding as at 31 March 2015 in comparison to the same figure in 2012/13, the year before CTS was localised.<sup>3</sup>
- 3.4. Figure 2 shows this across a range of CTS scheme types, namely councils that did not alter their schemes from CTB, those that did alter their scheme but did not introduce a minimum payment, and by size of minimum payment. It also shows what proportion of the total English council tax base that each group made up in 2014/15, given variations in the number and size of councils fitting into each category.

**Figure 2: outstanding arrears in 2012/13 and 2014/15**



Source: NPI analysis of council tax arrears data for 2014/15 and NPI database on local CTS schemes

- 3.5. In areas where councils retained CTB, outstanding arrears in respect of that year were roughly the same for 2014/15 and 2012/13, at £87 million. Given the increase in the council tax base over this period, this actually reflects a slight fall in relative terms.
- 3.6. By comparison to the group of councils that retained CTB up to 2014/15, all other groups of councils showed a clear increase in arrears for the given year. Among councils that changed their local CTS scheme from CTB, the increase in uncollected council tax between 2012/13 and 2014/15 was smallest across the 36 local authorities that didn't introduce a minimum payment (second bar from the left), where outstanding arrears for that year increased from £66 million to £73 million. Relative to the changes in the council tax base in these areas, this represented a small increase.

<sup>3</sup> This analysis focuses on uncollected council tax for the year in question, minus write-offs. It does not include arrears relating to earlier years.

- 3.7. The four remaining bars are good indicators of how arrears have increased more in areas where the minimum payment was higher. The third bar shows that for the 64 councils operating a scheme with a minimum payment of less than 10% in 2014/15, 53 of which set the minimum payment at 8.5%, outstanding arrears for that year increased from £100 million in 2012/13 to £120 million in 2014/15. For the 65 councils with a minimum payment of between 10% and 20%, the increase was from £153 million to £181 million.
- 3.8. The second bar to the right shows how outstanding arrears changed for the 69 councils with a minimum payment of 20%, the modal minimum payment in 2014/15, an increase from £164 million in 2012/13 to £219 million in 2014/15. The final bar shows that in the 47 local authority areas where councils had set a minimum payment of over 20%, outstanding arrears increased from £120 million to £173 million. Given that this group represents a smaller total share of the English council tax base than the group that set a minimum payment of 20%, this is a relatively larger increase.

## Conclusions and recommendations

- 4.1. In light of this evidence from our research for JRF, and updated analysis of council tax arrears and local CTS schemes in 2014/15, we respond here to each of the Review's four themes – fairness, efficiency, effectiveness, and transparency.

### Fairness

- 4.2. On a fundamental level, asking people with an income of only £73.10 a week (the current level for jobseekers allowance) to pay council tax is unfair in itself.
- 4.3. In addition, while legislation requires councils to hold a local referendum for council tax increases of more than 2 per cent per annum,<sup>4</sup> many former CTB claimants have been seeing increases in their council tax liability of significantly more than this.
- 4.4. In terms of relative fairness for claimants in different areas of the country, replacing a nationally administered system with a locally administered one has resulted in a 'postcode lottery', where former CTB claimants are being worse affected in some areas than others.
- 4.5. This extends to vulnerable groups receiving protections. Of the councils that have not kept the old CTB scheme in place, 45 per cent (128 of 284) have introduced protections. Protections were not consistent across these local authorities. In addition to the variation between the groups protected, there is also variation for the same group across authorities, for instance regarding people with disabilities.

### Efficiency

- 4.6. Our analysis shows that there have been higher increases in arrears in areas where councils implemented harsher CTS schemes, particularly where the reduction in maximum entitlement (the minimum payment) was largest. Increasing non-collection

in these areas is itself inefficient, requiring councils to issue court summonses and hire bailiffs that are costly to claimants and councils.

## Effectiveness

- 4.7. With uncertainty regarding how to handle rising levels of non-payment and debt among CTS recipients, due to concerns about implementing harsh enforcement on low income households and vulnerable residents, councils are likely to tread somewhere between increasing court summonses and bailiff use on the one hand and writing off arrears on the other. Either way, this may lead to shifts in public attitudes that may damage the reputation of council tax, which as a share of local government core spending power is likely to make up over 50% for unitaries, metropolitan boroughs, and shire districts by 2020 and 75% for shire counties. This reputational damage is not something that we believe will necessarily happen, but it is important to highlight the question of the potential medium term effects of localising CTS on the integrity of the council tax system as a whole.
- 4.8. On the one hand, rising bailiff use is likely to increase perception that the council tax system is unfair. On the other, relaxing enforcement procedures may eventually mean that some people who could pay but are minded not to wake up to the fact that increasing numbers aren't paying and are being let off. It is essential to avoid a situation where 'won't payers' can hide among 'can't payers'.
- 4.9. CTS shows how English local government can devise and implement 'local' welfare reforms in a very short time. But this local welfare reform and delivery capacity is under threat since councils currently receive funding to deliver and process Housing Benefit and CTS schemes. As UC replaces Housing Benefit, this funding may reduce, so the capacity to design and run local schemes may diminish. Necessity may result in integrating CTS and UC. Local variation may then reduce to setting minimum payment levels, much like local authorities setting overall Council Tax levels.

## Transparency

- 4.10. In the DWP's Local Welfare Safety Net Committee oral evidence session on 18 November 2015, Frank Field MP commented that 'no Victorian Parliament would allow Government to get away with big changes without them knowing what was happening',<sup>5</sup> commenting on a lack of evidence basis or data to this end.
- 4.11. Impacts of local CTS schemes on claimants must be properly documented by DCLG. This should include data reflecting:
- Council tax liability for CTS claimants
  - Collection rates, arrears, court and administration costs for CTS claimants
  - Bailiff use for council tax arrears in the case of CTS claimants

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<sup>5</sup> Oral evidence: Local welfare safety net HC 373-I 18 November 2015  
<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/local-welfare-safety-net/oral/24806.pdf>