Council Tax Reduction Scheme in Wandsworth

Briefing from Citizens Advice Wandsworth

Wandsworth Council is considering asking more people of working age to pay something towards their Council Tax (CT) from April 2016.

Everyone will have to pay at least 30% of their Council Tax (unless you are a pensioner or your household has someone claiming disability benefits, a war pension, carers’ benefits or contains a child under 3). Other people on benefits or low incomes who pay no Council Tax now might have to pay £2.59 - £7.79 a week from April 2016.

As the proposals stand, 5476 people who are currently receiving Council Tax Reduction benefit (CTR) will have to start paying a minimum of 30% of their CT bill. 4439 of these will previously have received 100% relief. 5365 people currently in receipt of CTR will be exempt from CT charges. An additional 1668 people will be exempt if protected groups are extended to include people with a child under 5.

Everyone can comment on the Council’s proposals via their website – find it by searching for ‘council tax consultation Wandsworth’.

We have been asking people who use our services how the changes will affect them. Some of the comments people have made are included in this briefing. Further results of our survey will be made available shortly.

Main points about proposed changes to Council Tax liability

Since April 2013 the law allows councils to design their own systems to give working age families a discount on their council tax. Low income and jobless families, previously considered too poor to pay, are no longer uniformly exempt.

The scheme is called Council Tax Support. Since its introduction levels of arrears and bailiff referrals have risen nationally, and collection rates fallen (Joseph Rowntree Foundation report How have low-income families been affected by changes to council tax support?, March 2014). Most councils have introduced a minimum payment system (244 out of 326 in 2014-15). The largest arrears are
found where this has been done, according to the same report. The new system means 2.34m low income families paid extra, of which 1.8m were workless.

**The pattern in London**

Over 820,000 London families on low incomes or benefits claimed a CT reduction under the old system. The new system means 475,000 claimants now pay more. Over 122,000 of them were in arrears in 2014-15 (figures from NPI’s *London Poverty Profile*).

In London the reported number of arrears seems to have doubled in 2014-15. This may be because the problem was under-reported in the first year, but also because some arrears from one year are still outstanding in the next year.

About 27% of Londoners live in poverty after housing costs are taken into account, the majority in a working family (NPI report, as above).

**Different responses by London councils**

23 out of 33 London councils already ask low-income families to contribute something to their CT under the new scheme. The amount in 2013-14 ranged from 70p to £5.30 a week. Nine councils asked for less than £2 and a further 5 less than £3.

Some councils have kept their minimum payment to under 10%, but many are higher. The minimum payments are also increasing year on year. The early evidence suggests a knock-on effect. People may manage the first year of payment, but an increase in subsequent years becomes unmanageable and arrears rise. For example, in Waltham Forest after a 6.5% increase, summonses shot up from 1,300 to 6,280 in two consecutive years. In the boroughs when the minimum payment has been increased, bailiff referrals also increased by 50% (figures from *Too Poor to Pay*, Zacchaeus 2000 and Child Poverty Action Group).

Four London boroughs now have a policy of not using bailiffs, and their collection rates are close to the London average.

**The extra costs of being in arrears**

Using bailiffs to collect immediately adds £75 to the debt, followed by a further £235 on the first visit.
Charging court fees for the summons also adds to the debt. Court costs added £8.5m to the amount owed by Londoners in arrears in 2014-15.

In 2014-15 Wandsworth had 1,201 CTS claimants in arrears. It issued 943 summonses for CT arrears and used bailiffs in 161 cases (figures from Too Poor to Pay, Zacchaeus 2000 and Child Poverty Action Group).

People may be borrowing elsewhere to pay the bill – The Children’s Society survey of households with CT debt (The Wolf at the door) found that over half had borrowed to pay the bill, and 10% had borrowed from a payday lender, increasing their debts overall. A survey by York Citizens Advice of clients who lost CT support found 1 in 3 had paid by taking on other debt.

Funding

The CTS scheme was introduced at the same time that central funding for it was reduced by 10%. Council budgets are under real pressure. But the government has said it will continue to provide the same amount of money for CTS in 2015-16 as in the two previous years (£3.7 billion).

Many London councils find that the number of people claiming CT support is falling – probably as a result of increased employment and migration out of borough.

Local impact

Comments by Citizens Advice Wandsworth clients on the proposed changes in the Borough:

“I don't know how I will cope with all these changes”

“Any extra amount needed to go on extra council tax would only be able to come from food money”

“It will be hard as I am already having difficulties now due to high rent”

“It would have a knock-on effect for other arrears I am having trouble with already”

“I'd have to work more hours to pay my other expenses”

“I found the amount fair enough recently but to pay more I would require more support”

“I am currently unemployed with small work pension which would not cover this”
If the changes go ahead, what could help people to manage better?

- Introduce a lower minimum payment and/or phase in the minimum contribution in stages – don’t hit people in one go with a large contribution.
- Stop using bailiffs for collecting CT debts (additional costs and distress for families).
- Similarly, court costs for summonses should be limited or waived (as is done elsewhere) to stop the debt increasing.
- Give the Director of Finance delegated discretion to waive costs when taking recovery action, as proposed in Committee Paper 15-386.
- The Council should allow negotiation even when the debt has been referred to an enforcement agency – in line with Government guidance.
- Accounts should be put on hold for 21 days when first instalment is missed to allow time for debt advice. At the moment people lose the right to pay in instalments very quickly (in a week).
- Residents in arrears should be signposted to Citizens Advice or another source of debt advice – the Council should make sure adequate debt advice provision is in place.
- There should be plenty of advance warning – some clients responding to our survey wrongly believed they would still automatically be exempt. They have not understood the proposals.