

## Consultation response on Local Council Tax Support in Uttlesford

22<sup>nd</sup> October, 2024

### Context

Prior to 2013 Council Tax Benefits were a national scheme, administered by local authorities. In 2013 the scheme was abolished, along with cuts to the government grant to local authorities. A wide variety of schemes have developed, many involving a minimum contribution to costs, unlike the previous Council Tax Benefit which could cover the whole of the Council tax charge.

### Key points

#### 1. Income levels and inflation.

Working age benefit levels, which affect those both in and out of work, have risen significantly less than inflation. The Office of National Statistics estimates that lower income households have experienced inflation above the national CPI rate because they spend a higher proportion of income on essentials including energy and food which have had higher price increases.

#### Benefit levels relative to inflation

	Change	Source
DWP working age benefit levels April 2015 – April 2024	+ 23%	Abstract of DWP benefit rate statistics 2022,2023
Inflation April 2015-April 2024 CPI	+33.5	<a href="http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries">www.ons.gov.uk/economy/inflationandpriceindices/timeseries</a>
UDC band D Council tax 2015/6 to 2024/5 (eg Saffron Walden and Takeley)	+ 41%	UDC annual CT reports

## 2. Hardship

In addition to the pensioner households, whose LCTS is protected under national regulation, UDC does not require a minimum payment from households receiving Disability Living Allowance, Personal Independence payment or Carer's Allowance.

The minimum payment applies to just over 600 households, 19% of all claimant households. As well as low income working households this group includes claimants who are too ill to work but who do not meet the criteria for the award of disability benefits. Their 12.5% contribution potentially raises around £200,000. The minimum contribution requirement causes additional stress on tight household budgets, and collection and recovery is likely to impose disproportionate costs.

### The real-life impact of the 12.5 % contribution

	Monthly income	Monthly CT contribution	CT % income	Weekly income for all other outgoings.	Source
Single working age adult over 25. Band B	393.45	13.50	3.4	87.68	<a href="https://betteroffcalculator.co.uk/calculator/LSxd5u">https://betteroffcalculator.co.uk/calculator/LSxd5u</a>
Single parent, 2 children. Band C	1199.08	16.56	1.4	272.88	<a href="https://betteroffcalculator.co.uk/calculator/eg8A89">https://betteroffcalculator.co.uk/calculator/eg8A89</a>
Working age couple no children. Band B	617.60	18.00	2.9	138.36	<a href="https://betteroffcalculator.co.uk/calculator/yIvCxY">https://betteroffcalculator.co.uk/calculator/yIvCxY</a>
Working age couple 2 children. Band D	1377.82	22.38	1.6	312.79	<a href="https://betteroffcalculator.co.uk/calculator/I307KJ">https://betteroffcalculator.co.uk/calculator/I307KJ</a>

The rural nature of the district imposes additional costs on many households and makes it hard for many to access work. With a generally poor public transport infrastructure and many small settlements, a car is essential for many to access work and services. In 2011 69% of working Uttlesford residents travelled to work by car or taxi [Source nomisweb.co.uk; 2021 data not comparable due to lockdown]. Estimates of the monthly cost of running a car range from £208 to £319. [www.moneyhelper.org.uk, nimblefins.co.uk] Additionally, many households can only find privately rented accommodation at rents which are higher than the amount which can be included in benefits.

National work by Citizens Advice shows that 38% of debt clients have a negative budget ie outgoings exceed income after action to increase income and reduce

outgoings. 11% of clients were in negative budget from fixed costs alone, before including variable costs such as food.

[Negative Budgets A new perspective on poverty and household finances Citizens Advice 2020]

### 3. Equity

In considering its Local Council Tax Support Scheme UDC has taken account of the minimum contribution level in other Essex authorities. A comparison with adjoining local authorities shows a different picture, and reflects the more rural nature of this area.

#### Minimum contributions in adjoining Council areas.

West Suffolk	0%	<a href="https://www.westsuffolk.gov.uk/counciltax/index.cfm">https://www.westsuffolk.gov.uk/counciltax/index.cfm</a>
South Cambridgeshire	5%	SCDC Localised Council Tax Support 2023/24 Report to Cabinet 6 February 2023
East Hertfordshire	8.5%	<a href="https://www.eastherts.gov.uk/benefits-and-financial-support/council-tax-support">https://www.eastherts.gov.uk/benefits-and-financial-support/council-tax-support</a>
Braintree	23%	UDC Local Council Tax Support Scheme Proposals 2025/26. Report to Cabinet 5 September 2024
Chelmsford	23%	

### 4. Personal and public costs

Council tax debts have significant impacts of mental health. Recent research shows that 73% of people with Council Tax arrears who were referred to a bailiff have substantial mental health problems.

[Murray T and Smith F. In the public interest? The psychological toll of local and national government debt collection practices. Money and Mental Health Policy Institute. September 2024]

There are also costs to the local authority. Minimum payments are associated with higher levels of Council Tax arrears. Clients in areas with a minimum payment were 57% more likely to have council tax arrears than those living in areas without a minimum payment. West Suffolk District Council in reviewing its decision to drop the contribution requirement after its first year considered

*“If the contribution rate is retained at zero for a further year, it is expected that the proposals would continue to lead to fewer complaints and customer contact from customers struggling to pay, as well as time and resource savings from not collecting the 8.5 percent shortfall. The cost of recovery process for these small amounts can be expensive and often result in write-offs.”*

[West Suffolk Council. Review of the Local Council Tax Reduction Scheme 2024 to 2025 and decision to consult Report number: CAB/WS/23/034 13 September 2023]

Research in London also showed that higher council tax collection rates are associated with the generosity of a borough’s Council Tax Reduction Scheme and lower collection rates are associated with the level of poverty in the borough.

[Council Tax debt collection and low-income Londoners. Policy in Practice for the Greater London Authority December 2020. [https://policyinpractice.co.uk/wp-content/uploads/Council-Tax-debt-collection-and-low-income-Londoners\\_GLA\\_pub.pdf](https://policyinpractice.co.uk/wp-content/uploads/Council-Tax-debt-collection-and-low-income-Londoners_GLA_pub.pdf)]

## Appendix

### CitA recommendations and UDC scheme/practices

Recommendation	UDC current
Exempt people receiving CTS from bailiff action.	Not formal policy
Remove minimum payments where possible so that those on the lowest incomes are protected from council tax debt.	No
Remove band caps so people aren’t penalised by an outdated system.	Yes
Keep CTS taper rates at or below 20% to recognise the poor work incentives created by the double taper effect of UC and CTS.	Not assessed, but UDC scheme formula is designed to include a work incentive.
Disregard all non-standard elements of UC eg childcare or carer elements, and LCWRA, in income-banded CTS income calculations.	UDC scheme has special provision for carers and disregards LCWRA in calculating benefit.
Make paper form applications for CTS readily available and widely publicised.	No
Automate the CTS claims process so that no one misses out on support because of a poorly designed system that sees CTS sit outside of UC.	Not known

Source: Council Tax Support? A benefit determined by postcode not need. Citizens Advice April 2024

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## **Background research**

### **Ollerenshaw review of Localisation of Council Tax Support. UK Government April 2016**

- Noted that most councils had introduced minimum payments for working age claimants.
  - Found the new system had disproportionate recovery costs
  - Recommended that there should be local control of at least part of the budget for pension age LCTS
  - Recommended delegating recovery for LCTS claimant arrears to local councils
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### **The impacts of localised council tax support schemes. The Institute for Fiscal Studies January 2019** <https://ifs.org.uk/publications/impacts-localised-council-tax-support-schemes>

- Found a clear link between cuts to LCTS and indebtedness
- Found that the introduction of schemes involving minimum contributions led to a significant increase in numbers contacting Citizens advice for help

### **Review of Council Tax Reduction schemes in England in 2021/22** **Entitled to/National Policy Institute January 2022**

<https://npi.org.uk/publications/council-tax/review-council-tax-reduction-schemes-england-202122/>

- Emphasised the geographical inequalities between schemes

### **House of Commons Library Briefing Paper 6672 August 2020 Council Tax Reduction Schemes (GB)**

<https://researchbriefings.files.parliament.uk/documents/SN06672/SN06672.pdf>

- Wide ranging review of research

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