Pushed into Poverty: The Real Cost of Council Tax Support

A focus on York and the impact of the localisation of Council Tax Support

Advice York

October 2014
“If you can afford it that’s great. I’d love to pay for it if I could.”
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Executive Summary

In April 2013 the national scheme of Council Tax Benefit was abolished by central government and replaced by local Council Tax Support schemes. (a) Council Tax Benefit was a national scheme to support those on low incomes to pay their Council Tax. For those on extremely low incomes, it was possible for this to cover the whole of their Council Tax bill. When Council Tax Benefit was abolished and replaced by the local Council Tax Support scheme the government also implemented a 10% cut in funding for the new provision. Whilst on one hand devolving the new scheme to local authorities, the Government also imposed certain conditions local Councils had to meet, including the protection of pensioners so that they were no worse off under Council Tax Support. In reality, this meant that the whole 10% spending cut was put upon working age claimants, making the cut for this age group much greater.

The Governments change has meant each local authority has had to develop its own scheme. The huge variety in schemes has created an inevitable postcode lottery of support. Under the Scheme introduced by City of York Council, all working age residents have to pay the first 30% of their bill before they are entitled to any assistance. Since the introduction of Council Tax Support, Council Tax arrears has gone from the fourth highest debt issue in 2012/13 to now the top debt issue dealt with by York CAB with over 300 additional issues. Advice agencies within the Advice York partnership have conducted a survey with 50 of their clients that have been affected by the abolition of Council Tax Benefit to ask those receiving Council Tax Support what they thought about the scheme. The survey found of the changing scheme:

- Over half (54%) of those we surveyed were not aware that the scheme had changed. 86% stated that they didn’t feel they had been told enough about the new scheme or the change

- Two thirds were unaware of the extra support they could get through York Financial Assistance Scheme

- 88% were not aware that there had even been a consultation. Over half told us they would like to have contributed to it if they had known of the consultation

- Only 4% feel the scheme reflects local need

- 78% think it is unfair to ask for minimum payments

(a) Please note that some Council’s refer to this benefit as Council Tax Reduction.
In deciding the local scheme the City of York Council made a number of forecasts and assumptions.

1. Increases to cover the extra cost of Council Tax Support as a result of a rise in Council Tax rates

2. Claimant growth of 3%, assuming that more people would apply for support

3. The figure used to estimate the number of working age people who would pay their Council Tax bill was 60%.

It is clear that these forecasts, which were used to set the reduction level at 30%, have turned out not to be correct. To continue to use these assumptions and forecasts after they have been shown to not be the case, in addition to a significant surplus on the Council Tax collection fund, would be unjust and the Council Tax Support scheme for York should be reviewed.

On the surface, due to national and local collection rates remaining high, it appears that the Council Tax Support scheme is working. However, although the tax is being collected, this does not reflect the true impact or real cost to people.

The survey informed us that the real cost of the scheme was:

- 1 in 3 paid their Council Tax by taking out other debt

- 2 in 3 are struggling to pay for their other bills so they can pay their Council Tax

- Almost half have had to reduce spending on essentials such as food and fuel. 54% are now having difficulty paying for food. 12% are now relying on food banks so they can make payments

- 48% have had or are now in arrears, 20% for the first time

- 44% said they felt they were unable to pay. With a further half saying they were able to pay the extra costs but were finding it difficult.

- 2 in 3 have seen an increase in stress and worry as a result of having to make payments

- 1 in 3 have seen their health worsen and attribute this to the impact of the localisation of Council Tax Support
The widening gap between those who have and those who have not is one of the greatest struggles currently being faced by York, and poses the greatest challenge to York’s vision to be a poverty free city. There is a clear growing gap between the wages of average and low paid workers. (1) The problem of income inequality presents a huge challenge to York, with research showing that income inequalities increase health and social problems. (2) Government changes to Council Tax Benefit have only gone on to increase this inequality with those on the lowest of incomes now being asked to pay a further burden of tax and seeing their incomes squeezed further, adding to the rising cost of living.

<table>
<thead>
<tr>
<th>How have you managed to cover the increased costs of payments to your Council Tax bill? - as %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased income</td>
</tr>
<tr>
<td>Cut back on essential items</td>
</tr>
<tr>
<td>Loan from family/ friends</td>
</tr>
<tr>
<td>Payday loans</td>
</tr>
<tr>
<td>Foodbank</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What has been the impact of having to pay an amount towards to your Council Tax Bill? - as %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No effect</td>
</tr>
<tr>
<td>Difficulty paying bills</td>
</tr>
<tr>
<td>Difficulty in finding work</td>
</tr>
<tr>
<td>Worsening health</td>
</tr>
<tr>
<td>Needed to get advice</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>
A couple who both have health problems and are supporting their teenage children as they look for work said:

“‘It’s the one thing I can’t afford. Almost lost the house. So much stress, it made us both ill.’
The results of this Advice York research show that the Council Tax Support scheme implemented in York as a result of the national Government decision to abolish Council Tax Benefit is doing damage to some of York’s poorest and most struggling residents. It is having both an impact on their finances and health by increasing their levels of debt and reducing their health and well being. The resulting impact of the scheme is in direct opposition to many of the City’s aims in regards to anti-poverty, health and wellbeing.

From the findings of this research, Advice York makes the following recommendations:

1. **City of York Council should continue to lobby the national government to reinstate full funding of Council Tax Support at the previous Council Tax Benefit levels**
   - This would enable equal support to be provided across the country and avoid the current situation of a postcode lottery of support.

2. **City of York Council should revise their Council Tax Support Scheme for 2015/16 to reflect the needs of local people**
   - When updating the scheme they should amend the underlying assumptions that led to the 30% level being chosen, with the aim of reducing this minimum payment.
   - The revised scheme should take into account good practice from other local authorities such as those showcased by Citizens Advice. (26)
   - They should also ensure that when revising the scheme, they fully take into account the views of local residents and those who represent them. For example, through working with Advice York.

3. **City of York Council should develop a full discretionary hardship scheme for 2015/16 for those struggling with their Council Tax payments**
   - This scheme should be properly advertised, accessible, easy to find and easy to apply for.

4. **There should be increased provision of debt advice across the City of York for those struggling with debt as a result of Council Tax Support and wider Welfare Reforms.**
Introduction

In April 2013 the national scheme of Council Tax Benefit was abolished by central government and replaced by local Council Tax Support schemes. Council Tax Benefit was a national scheme to support those on low incomes to pay their Council Tax. For those on extremely low incomes, it was possible for this to cover the whole of their Council Tax bill. When Council Tax Benefit was abolished and replaced by the local Council Tax Support scheme the government also implemented a 10% cut in funding for the new provision. Whilst on one hand devolving the new scheme to local authorities, the Government also imposed certain conditions local Councils had to meet, including the protection of pensioners so that they were no worse off under Council Tax Support. In reality, this meant that the whole 10% spending cut was put upon working age claimants, making the cut for this age group much greater.

Most Council’s chose to pass on this cut in funding to working age claimants in the form of a minimum flat rate percentage of their Council Tax now being required. The government provided an extra one year transitional grant to those local authorities that required no more than an 8.5% contribution. Almost two thirds of Councils chose to limit the contribution to take advantage of the additional grant. A breakdown of Council Tax Support Schemes can be found in Figure 1.

Giving power to local Councils to devise their own schemes means there are now 326 separate Council Tax Support schemes, with varying levels of support. The aim of localisation was to allow the scheme to be adapted to local need and allow for Councils to take a stake in the local community.

Advice York chose to look into the impacts of the local Council Tax Scheme following feedback from partners. The advice sector in York identified Council Tax Support as a policy priority due to increasing levels of advice need surrounding the scheme and subsequent debt. For example, Council Tax arrears went from the fourth highest debt issue in 2012/13, to now being the top debt issue dealt with by York CAB. This report will look at two key areas, the cost of the scheme to the local Council and the cost of the scheme to the residents.

(b) Please note that some Council’s refer to this benefit as Council Tax Reduction. For the sake of this report, we will refer to the benefit as Council Tax Support in line with City of York Council and Joseph Rowntree Foundation. (c) 228 Councils introduced a flat rate percentage...
Amy who cares for a family member said:

“I wish they helped me understand changes and why I have to pay so much.”
Methodology

The decision to carry out this piece of research and campaign came from the advice agencies in York identifying it as one of the priority issues that was affecting their clients.

The Local Authority Comparison:

The areas chosen for comparison with York were chosen from areas that had been recommended by staff within City of York Council as areas that the Council normally compare themselves to. This is because these Councils have a similar make up, such as being unitary authorities, or the population has a similar demographic, such as population size, age profile or employment rate.

From this list of areas, we then picked areas with varying schemes to York. A summary of these schemes can be found in Appendix 1.

The survey:

A quantitative approach was used to collect data. Over a period of two and a half months a detailed four page paper-based survey was conducted.

Survey questions were developed and aimed to find out about how the abolition of Council Tax Benefit had affected people. The final survey was comprised of five parts. The first part was aimed at the awareness people had of the localisation of Council Tax Support and the consultation. The second part focused on the impact the change had on them and how they were managing to pay the increased bill. The third section looked at the scheme design. Part four was for open comments so that people could tell us anything else that hadn’t already been covered. Finally, the last section collected profiling information and asked whether people would be happy to be contacted further to talk about Council Tax Support.

The survey was carried out between June and August 2014 and 50 survey forms were completed. A breakdown of the profile of these respondents can be found in Appendix 2. The respondents were a wide range of clients from advice agencies within Advice York who were either receiving Council Tax Support, or had been.
Sam who is a carer said:

“I think it should be means tested so those on the lowest income pay less towards their council tax.”
The Decision on the Scheme’s Design

Devising a Scheme

When devising the new Council Tax Support Scheme for York, the City of York Council took into consideration a number of calculations and assumptions. The first of these related to the rules set nationally as to how the scheme must be devised. The protection of pensioners as part of the localisation meant that the 10% cut in funding actually worked out much higher for the working age population. Most areas, including York, decided that the best way to implement this reduction would be to have a flat rate reduction for all other claimants rather than to cover the shortfall in funding themselves. This rate was set at 30%.

Alongside this, the Council made a number of other changes to the support for those suffering from financial hardship. This includes changing the liability and court costs when those affected by the Council Tax Support changes fail to pay and are subsequently taken to court. These costs are £20 compared with many other local authorities who charge £80-£100. The Council have also put additional funding into targeted support for those affected by Council Tax Support changes through the York Financial Assistance Scheme, as well as promoting a wide range of financial inclusion activities.

Originally, the City of York Council estimated that this would work out at a reduction in assistance of around 20% (6) with a funding shortfall in York of around £1 million. To also protect vulnerable customers, they estimated a reduction of around 20.7% for working age, non-vulnerable customers. However, when it came to making the overall decision other costs were added in that increased the reduction from 20% to 30%, a significant rise.

The Council made the following calculations and considerations when deciding the level of support for the scheme:

1. Increases to cover the extra cost of Council Tax Support as a result of a rise in Council Tax rates

2. Claimant growth of 3%, assuming that more people would apply for support

3. The figure used to estimate the number of working age people who would pay their Council Tax bill was 60%.

However, two of these assumptions that increased the level of reduction in support have not materialised, and the other was a result of an increase in Council Tax.

Extra money for Council Tax Support to cover the rise in Council Tax could have come from the extra money collected from the rise rather than increasing the reduction.
An increase in applications for assistance through Council Tax Support has not been seen; in fact the numbers claiming have reduced by around 1000. Additionally, the payment of Council Tax has continued and has actually been much higher than anticipated at 77%, not 60%.

At the same time as this, there have been other changes to Council Tax to increase revenue. These include changes such as the removal of second adult rebate, Class A & C exemption from 100% to 50%, an empty home premium and second home charge. The Council chose to not take into account the additional revenue from these changes when making the decision of the Council Tax Support scheme as they assumed they were cost neutral due to high collection costs. (7) Yet, a further Council report in 2013 (8) gave “a conservative estimate however is that the changes will yield at least £300,000 of additional income taking account of all issues”. In fact, a separate Council report looking at the development and future funding of the York Financial Assistance Scheme claims that:

“The position regarding Council Tax discount scheme has become clearer regarding costs and these are currently considered to be able to be met from existing provision. It is likely that there will be a significant surplus on the Council Tax collection fund at the end of this financial year as a prudent view was taken of the impact of technical changes, and other risks associated with collection” (9)

It is clear that in deciding the local scheme the City of York Council made a number of forecasts and assumptions. It is clear that these forecasts, which were used to set the reduction level at 30%, turned out not to be correct. To continue to use these assumptions and forecasts after they have been shown to not be the case, in addition to a significant surplus on the Council Tax collection fund, would be unjust and the Council Tax Support scheme for York should be reviewed.

Other local authorities have used the localisation of Council Tax Support to make changes to the scheme and Council Tax Exemptions to reduce the reduction level. For example, in keeping 100% support, Cambridge local authority have made changes such as reducing back dating time limits to reduce costs elsewhere. Citizens Advice have brought together and highlighted some of these good practices by local authorities as well as coming up with 8 top tips when devising a scheme. (10) York has made some of these changes and should be using the savings to reduce the reduction level of Council Tax Support.
Peter, a disabled man on a low income said:

“Lot’s of people are struggling and I disagree with the scheme.”
The Consultation

As part of the localisation of Council Tax Support, the national government required each local authority to hold a statutory 12 week consultation. Failure to comply with this requirement could have led to judicial review. Under this requirement there is a Duty to Consult “representatives of a wide range of local persons; this is not optional.” (11)

City of York Council undertook a 12 week consultation, including 13 consultation sessions and a survey available for people to complete either online or on the phone. Communication of these was through letters to all those affected by the changes, as well as through the radio and in the York Press. (12) However, our research shows that people were simply not aware that this had been taking place.

88% of respondents to our survey told us that they were not aware there had been a consultation, and over half told us they would have liked to have contributed to it if they had known of the consultation. This is backed up by the extremely low turnout at consultation sessions and a response rate to the Council’s survey of only 101 replies, 1.55% of the current working age population in York.(13) The Council were open about their key objectives within the consultation, stating:

“The basis of the consultation was to communicate the Councils view that the fairest way to deliver the savings was through capping of the current scheme.” (14)

This, combined with the low awareness of the consultation sessions and survey, questions the effectiveness of the consultation held.

<table>
<thead>
<tr>
<th>Reasons given for not requiring a minimum payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>People's Circumstances Very</td>
</tr>
<tr>
<td>People have seen enough cuts to their income already</td>
</tr>
<tr>
<td>Need help first</td>
</tr>
<tr>
<td>Not affordable</td>
</tr>
<tr>
<td>Should be based on income not property</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>19</td>
</tr>
<tr>
<td>3</td>
</tr>
</tbody>
</table>
Local Need

One of the justifications used by national government for the localising of this benefit is that it would allow for the reflection of local need. Allowing local authorities to direct support services means they are able to prioritise the support they give. Those we asked overwhelmingly felt that the scheme does not take into account local need, with only 4% feeling it does. It is worth noting that 40% felt unable to give an answer as they did not understand the scheme.

We asked two questions about what a Council Tax Support Scheme should look like, similar to those in the City of York Council consultation questionnaire. The first asked whether people felt it fair to ask everyone to pay a set amount towards their Council Tax before they receive support. Over three quarters (78%) said they did not think this was fair. Half said this was because it would simply not be affordable and one in five said it was unfair as peoples circumstances vary.

We then asked if there should be a difference in support for certain people such as those with disabilities. This came out with almost a fifty-fifty split between yes and a no. The following groups of people are those that there was the most encouragement for additional support for: disabled people, carers, those on a low income and those who are unemployed. This response supports the basis of the existing scheme to be based on a households income, rather than any specific group.

<table>
<thead>
<tr>
<th>Who should receive additional support?</th>
<th>18</th>
<th>10</th>
<th>10</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carers</td>
<td>10</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Disabled</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Disadvantaged</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Elderly</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Have Children</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Ill</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Low income</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>On benefits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unemployed</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Knowledge of the Scheme

Problems of Communication

The changes to Council Tax Benefit occurred at a time of great change to the Welfare Benefit system and came alongside a number of other reductions in people’s income. One concern is that people were clearly not aware of this particular change to Council Tax Benefit. Over half (54%) of those we surveyed were not aware that the scheme had changed. Of the remaining who did know that the scheme had changed, half did not realise that it had changed from a national to a local benefit. 86% told us they didn’t feel they had been told enough about the new scheme or the change. This raises questions as to how effective the City of York Council communication of their scheme was, both to the wider public and those affected.

City of York Council have gone to great lengths to communicate with those who have not paid their Council Tax bill. This was done through letters providing details of the YFAS scheme and an application form. If these people still didn’t pay, they were visited and further support offered. However, there is a further group who have made their payments but have struggled to do so and who are not aware of the additional support available. Of those we surveyed, 78% were paying some or all of their Council Tax bill but many said they were struggling to do so.

There is also a lack of wider awareness in relation to the Council Tax hardship fund. In the December 2012 Cabinet Decision on Council Tax Support, (15) mention of a hardship scheme was discussed to ensure a “broad safety net” for customers who face financial difficulty as a result of the change. However, this was left to be covered in the design of the new York Financial Assistance Scheme (YFAS). A report on YFAS was on the same cabinet agenda, and was referred to in the decision paper, but there was no mention of creating a hardship fund for those facing financial difficulty as a result of Council Tax Support. Despite this, within YFAS there is a separate application form for customers to use to get discretionary payments to help with their Council Tax.

However, this form is extremely difficult to find on the Council website and is not available on the pages discussing either Council Tax or Council Tax Support. This has led to a vast amount of confusion and lack of knowledge about the additional support available for those struggling to pay their Council Tax, not only for York residents but also for advice agencies. This is demonstrated both from our survey where two thirds had never heard of the extra support they could get through YFAS, and in the low amount of applications for Council Tax to YFAS, only 26 of a sample of 2882 applications. (16) Clearly, this safety net for those who are financially struggling from Council Tax Support is not working.
Vanessa who has severe learning difficulties said:

“I did not know about the help.”

Judith who is deaf and blind said:

“This is the amount the Government says you need to live on’ then the Council take this money from you.”
The Difference a Scheme Makes

The localisation of Council Tax Support means that now instead of one national benefit, there are 326 separate individual schemes across the country. This means that the support you are entitled to is heavily dependant on where you live, in effect, creating an inevitable postcode lottery of support. Despite this, other financial support remains the same regardless of location as it is set nationally.

Those claiming Job Seekers Allowance (JSA) when looking for work, or Employment Support Allowance (ESA) if they are ill, are all getting the same amount regardless of where in the country they live. Yet, if they live in York they are asked to pay around £6.15 (d) of their £57.35 - £108.15 benefit payments a week, whilst in Oxford, another city demographically similar to York, they are still able to get full Council Tax Support and do not have to pay anything towards for Council Tax from their weekly income replacement benefits. As a result they are £6.15 per week, £319 a year better off than someone in the same situation in York. Benefits such as JSA and ESA are set nationally at levels that are deemed to be the amount a person needs to live on. The localisation of Council Tax Support therefore means in some areas people are no longer receiving the minimum amount they need to live on.

The introduction of localised schemes for Council Tax Support have played apart in eroding national benefits. Organisations in the City, including the Council, campaigned against these changes. City of York Council should continue to lobby national government to reinstate the full funding at the previous Council Tax Benefit levels.

One key element in deciding the level of support a Council provides is looking at the amount of money they are able to collect under their scheme. Therefore, this section will compare this element of four areas schemes, which range from continuing to give full support (Oxford) to only providing 70% support (York). A summary of the four schemes and their differences can be found in Appendix 1.

Across the board, in all four areas Council Tax Collection rates have fallen. Looking at this alone, York appears to be doing extremely well at collecting their Council Tax despite having lower levels of support.

<table>
<thead>
<tr>
<th>Collection Rates</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford</td>
<td>96.8%</td>
<td>96.8%</td>
<td>97%</td>
<td>96.8%</td>
<td>↓ 0.2%</td>
</tr>
<tr>
<td>Kingston upon Hull, City of</td>
<td>95.8%</td>
<td>96.3%</td>
<td>95.8%</td>
<td>94.2%</td>
<td>↓ 1.6%</td>
</tr>
<tr>
<td>Cheshire West and Chester</td>
<td>98.1%</td>
<td>98.3%</td>
<td>98.4%</td>
<td>97.6%</td>
<td>↓ 0.8%</td>
</tr>
<tr>
<td>York</td>
<td>97.9%</td>
<td>97.9%</td>
<td>97.9%</td>
<td>97.6%</td>
<td>↓ 0.3%</td>
</tr>
</tbody>
</table>

* Based on 30% of the average council tax per dwelling
One area in which York is not doing so well is in the amount of Council Tax being written off. Councils hold the discretion to write off the debt for a number of reasons including bankruptcy, the debt being uncollectable and it not being economically viable to collect the debt. For York, whilst the amount remains comparatively low, the amount of Council Tax written off has almost doubled; where as Oxford with the higher levels of support have seen the amount written off decrease. This falls in line too with the experiences of advisers across the City of York who has seen an increase in Debt Relief Orders (DRO), huge numbers of which include the writing off of Council Tax debt. This suggests that areas that have increased liability for their residents, have increased their residents debt levels and therefore increased the likelihood of getting a debt relief order. Looking at Citizens Advice Bureau statistics across these four areas, this seems to fit; with the number of issues relating to DRO’s in the areas who changed their scheme significantly higher than Oxford who maintained the scheme. For example, 10% of debt issues in York were debt relief orders, whereas this was only 5% for Oxford.

<table>
<thead>
<tr>
<th>Council Tax Written Off</th>
<th>Written off 2012-13</th>
<th>Written off 2013-14</th>
<th>Written off increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford</td>
<td>£49,000</td>
<td>£3,000</td>
<td>-94%</td>
</tr>
<tr>
<td>Kingston upon Hull, City of</td>
<td>£74,000</td>
<td>£153,000</td>
<td>107%</td>
</tr>
<tr>
<td>Cheshire West and Chester</td>
<td>£70,000</td>
<td>£112,000</td>
<td>60%</td>
</tr>
<tr>
<td>York</td>
<td>£22,000</td>
<td>£43,000</td>
<td>95%</td>
</tr>
</tbody>
</table>

Once again the difference in schemes does not seem to correlate with the increase in arrear levels. Although it is clear that the three schemes who now ask for a minimum payment have seen a larger rise in arrear levels as opposed to Oxford who maintained the Council Tax Benefit scheme.

<table>
<thead>
<tr>
<th>Increase in Arrears</th>
<th>Increase in arrears 12/13</th>
<th>Increase in arrears 13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Kingston upon Hull, City of</td>
<td>16%</td>
<td>49%</td>
</tr>
<tr>
<td>Cheshire West and Chester</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>York</td>
<td>12%</td>
<td>21%</td>
</tr>
</tbody>
</table>

After looking into the collection rates and Council statistics on Council Tax following the abolition of Council Tax Benefit, it appears that the difference a scheme makes is very little. Despite wide differences in minimum payments and other criteria such as saving

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limits and protection for the vulnerable, there are few differences between those areas that changed their scheme.

However, where the differences do seem to appear is between any change and maintaining the previous full support. It is clear that from a collection point of view Oxford are doing extremely well with high collection figures, low increases in arrears and reducing amount of debt being written off.

On the surface, due to national and local collection rates remaining high, it appears that the Council Tax Support scheme is working. However, although the tax is being collected, this does not reflect the true impact or real cost to people.

The Real Cost of Council Tax Support- The Impact of York’s Scheme

Ability to Pay

One of the key considerations when looking at the York Council Tax Support Scheme is looking at whether people, who had previously not been expected to pay an additional payment, can now afford to pay it. The results suggest that the answer to this consideration is a no as only two of the fifty people surveyed felt that they were able to pay the extra payments easily. These two people were not previously receiving full Council Tax Benefit and so the impact of the change was not as financially great. It is also worth noting that both of these people also had lower housing costs due to either owning their house outright or having a mortgage, which for York is cheaper than renting. Therefore, pressure on their household budgets was less.

Half of those surveyed said they were able to pay but were finding it difficult, whilst the other 44% said they felt they were unable to pay this extra cost. For both of these groups the extra payments are therefore causing difficulty and negatively impacting the way in which they manage their money. The majority (40%) of those who felt unable to pay were being asked to pay between £5 and £10 per week contribution to their Council Tax bill. This shows that although the payments appear to be small, these are causing the greatest difficulty for people and stretching peoples incomes too far.
John who is terminally ill felt that:

“People can’t afford it; it will just cause more stress and upset, making people ill. I am a prime example of being let down with support - I am terminally ill and trying my best to cope with not much help from authorities.”
This has often led to people being unable to pay either some or all of their payments and getting into arrears. This was the case for almost half of those we surveyed (48%). Our figure appears higher than the collection rates provided by City of York Council of 97.6%. These collection rates for York appear to be high, however; this only looks at the number of arrears at the end of the year. Those who have got into arrears during the year and have managed to pay them off or had them written off are not counted. This collection rate also only looks at the amount collected rather than the number in arrears. It is possible that a large number of people have relatively small amounts of arrears as our research seems to indicate. Of those who told us they got into arrears, 42% said this was the first time they had ever been in arrears, indicating that the change to Council Tax Benefit is causing additional debt to those who had previously been able to manage.

The affect this debt can have is extremely concerning. In-depth research conducted by the Legal Services Research Centre (17) suggests that 89% of debt clients are worrying about their debts most or all of the time. Around 43% of clients felt their health had also suffered to some extent, while around 60% said they had received treatment, medication or counselling as a result of their problems. Further, it was identified that debt problems can impact on an individual’s relationships, employment, education and plans for the future. It is clear from this that the impact of Council Tax debt caused by the Council Tax Support scheme in York has a long ranging reach. The research by the Legal Services Research Centre also matches with what those in arrears informed us. One in three spoke of the stress it was causing them and one quarter said it was having an impact on their mental health and making them feel depressed. In addition, 20% said it was causing difficulty with other bills and 17% were struggling with food costs.

The ability to pay this additional cost must also be looked at in context within the wider scheme of Welfare Reform. Council Tax Support only makes up one of many changes and these other changes must be taken into consideration when devising the scheme. 40% of those we surveyed had already had their income reduced by another Welfare Reform. The change that had affected the most people (28%) was the ‘Bedroom Tax’ or removal of the spare room subsidy. For these people they already have to find around £14 or £25 a week extra to top up their rent payments. With a shortage of housing in York, particularly of the right size, it is extremely difficult for these people to move and stop being impacted by this change. When adding a similar payment now required for Council Tax, this is taking up a huge amount of people’s incomes and is clearly not sustainable. Although it can be argued this change is coming from elsewhere, nonetheless it must be taken into consideration that peoples’ incomes have already been hit.

Other research by Advice York has shown that Council Tax Support is in fact one of the top Welfare Reforms causing people difficulty, with almost three quarters of those needing additional support and grants from the Council having been impacted by Council Tax Support. (18)
Jean who has already seen her income reduced due to changes in housing benefit for under 35’s and is having difficulty with medical assessments for PIP said:

“On it’s own, the reduction wouldn’t have been too bad. Understand that saving have to come from somewhere. However, when combined with other cuts and changes in welfare reform it does make things very difficult.”
The Cost of Paying

The impact of Council Tax Support goes beyond simply the extra money being paid and includes what result these extra payments are having on the household and how they are managing to pay them. One third of those surveyed have managed to pay their Council Tax through getting into further debt, whether a loan from family and friends to the extreme of getting money from ‘loan sharks’. This is not a sustainable situation for households as it causes debt to mount up, with increasing levels of interest. The changes to Council Tax Support have increased debt beyond simply Council Tax arrears as people worry about meeting this priority payment. The effect of problem debt on both an individual and the household is well documented. The Legal Services Research Centre (19) has shown that problem debt goes on to have an impact on relationships, employment and education. As well as this, there is clear evidence linking debt to worsening mental health problems (20), causing further costs for community care.

Half have managed to cover payments by cutting non essential expenditure, but this results in the reduction of the person’s quality of life. This includes many things that may be considered part of a minimum income standard (21) such as being able to occasionally socialise with your friends. Worryingly, alongside this almost half have also cut back on essential items such as food and fuel, suggesting a further push into poverty. This is evidenced further by the fact that the survey showed that 12% now have to rely on food banks.

| How have you managed to cover the increased costs of payments to your Council Tax bill? - as % |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Increased income                | 48              | Cut back on non essential items | 46              | Loan from family/friends | 24              | Overdraft       | 8               | Credit Card     | 4               |
| Cut back on non essential items | 2               | Loan from family/friends        | 46              | Overdraft       | 24              | Credit Card     | 8               | Overdraft       | 4               |
| Overdraft                       | 8               | Credit Card                    | 4               | Payday loans    | 4               | Payday loans    | 4               | Payday loans    | 4               |
| Credit Card                     | 4               | Payday loans                   | 4               | Loan sharks     | 2               | Loan sharks     | 2               | Loan sharks     | 2               |
| Payday loans                    | 4               | Loan sharks                    | 2               | Foodbank        | 12              | Foodbank        | 12              | Foodbank        | 12              |
| Loan sharks                     | 2               | Foodbank                       | 12              | I am not paying the extra | 22              | I am not paying the extra | 22              | I am not paying the extra | 22              |
| I am not paying the extra       | 22              | Other                          | 6               | Other           | 6               | Other           | 6               | Other           | 6               |
Bob who is looking for work said:

“"I have cut cost on food, gas, electricity and water (essentials), depressed. Angry. I was not in debt before the change. Will only get worse.""

Joanne who is unable to pay her bill said that:

“"[It’s] stressful, worries about bailiffs. I only receive £110 benefits have £30/week top up rent to pay plus other bills. I can’t afford to pay it. I can’t afford to live.""
It is worth noting that the struggle to pay this additional bill does not necessarily stem from people feeling unable or uncomfortable with managing their money. In fact, almost half of those we asked feel fairly or very confident in managing their money, with only 16% feeling unconfident. However, a common concern was they felt confident in managing their money, but had no money to manage! Therefore, some support with budgeting maybe useful, but would not necessarily solve the problems faced by households as a result of Council Tax Support.

Having paid their bill or some part of it, we asked people what the impact on the rest of their life had been. For two thirds, this had caused difficulty paying other bills. With above average fuel poverty in York (22) this suggests a worrying trend to having to cut the already low amount of money spent in this area. Alongside this, over half said they were having difficulty affording food.

A further two thirds said the extra payment was causing them stress and worry, with one third saying it was having a direct impact on their health. It is clear that the ongoing effect of the extra payments will therefore have a long term impact. With worsening health and increased stress, comes extra cost to both the Council and wider society. It is estimated that stress costs the UK economy £3.7 billion per year. (23)

A further impact goes beyond the individual or household. Two in five said they needed to get advice due to the additional pressure of payments. This has caused increased pressure on advice services who are already struggling with demand. One particularly worrying area is the lack of debt advice in York, particularly in light of the extra debt shown to result from Council Tax.
Flora, a single mother looking after her children said that the impact of debt is:

“Depressed state and helpless to situation financially. It contributes to my mental health difficulties. Anxiety. Less money for food and fuel bill and water bill.”
Conclusion and Recommendations

The widening gap between those who have and those who have not is one of the greatest struggles currently being faced by York, and poses the greatest challenge to York’s vision to be a poverty free city. There is a clear growing gap between the wages of average and low paid workers. (24) The problem of income inequality presents a huge challenge to York, with research showing that income inequalities increase health and social problems. (25) Government changes to Council Tax Benefit have managed to increase this inequality with those on the lowest of incomes now being asked to pay a further burden of tax and seeing their incomes squeezed further, adding to the rising cost of living.

The results of this Advice York research show that the Council Tax Support scheme implemented in York as a result of the national Government decision to abolish Council Tax Benefit is doing damage to some of York’s poorest and most struggling residents. It is having both an impact on their finances and health by increasing their levels of debt and reducing their health and well being. The resulting impact of the scheme is in direct opposition to many of the City’s aims in regards to anti-poverty, health and wellbeing.

From the findings of this research, Advice York makes the following recommendations:

1. **City of York Council should continue to lobby the national government to reinstate full funding of Council Tax Support at the previous Council Tax Benefit levels**
   - This would enable equal support to be provided across the country and avoid the current situation of a postcode lottery of support.

2. **City of York Council should revise their Council Tax Support Scheme for 2015/16 to reflect the needs of local people**
   - When updating the scheme they should amend the underlying assumptions that led to the 30% level being chosen, with the aim of reducing this minimum payment.
   - The revised scheme should take into account good practice from other local authorities such as those showcased by Citizens Advice. (26)
   - They should also ensure that when revising the scheme, they fully take into account the views of local residents and those who represent them. For example, through working with Advice York.

3. **City of York Council should develop a full discretionary hardship scheme for 2015/16 for those struggling with their Council Tax payments**
   - This scheme should be properly advertised, accessible, easy to find and easy to apply for.

4. **There should be increased provision of debt advice across the City of York for those struggling with debt as a result of Council Tax Support and wider Welfare Reforms.**
Appendix 1 – A comparison of Schemes

The areas we chose to compare to City of York are based upon recommendations from the City of York Council and who they regularly compare themselves with. The main features of each scheme are shown below. Oxford is the base comparison as it is the area that kept their scheme the same as the previous national Council Tax Benefit. Kingston upon Hull followed the scheme set by national government that meant they were entitled to an additional transitional grant. Cheshire West and Chester were one of the few areas who introduced a vulnerability criteria and made national changes to the eligibility criteria. Finally, York kept the same criteria as the national Council Tax Benefit but cut support for all those eligible by 30%.

The table below is compiled from data by New Policy Institute for Joseph Rowntree Foundation available at www.counciltaxsupport.org

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Appendix 2 – The Profile of Participants

**Age**

- 16 - 24: 2
- 25 - 34: 5
- 35 - 49: 17
- 50 - 64: 17
- 65 or over: 4
- Prefer not to say: 5

**Gender**

- Female: 31
- Male: 12
- Prefer not to say: 7

**Ethnicity**

- Any other: 41
- Asian Other: 2
- Black African: 1
- White & Black African: 2
- White & Other: 1
- White British: 2
- White Other: 1
- Prefer not to say: 1

**Housing**

- Buying (mortgage): 8
- Council Tenant: 24
- Other: 2
- Other Social tenant: 6
- Owned (no mortgage): 4
- Private tenant: 3
- Prefer not to say: 3

**Disabled or long term health condition**

- Prefer not to say: 31
- No: 15
- Yes: 4

**Did you get Council Tax Benefit?**

- Yes and all my Council Tax was covered: 18
- Yes but I still paid some towards my Council Tax: 12
- No: 20
References

(1) City of York Council (2014) Joint Strategic Needs Assessment – Deprivation and Prosperity


(3) Citizens Advice (September 2014) Making Welfare Work Locally – Case Study Roadshow 2: Council Tax Support

(4) Department for Communities and Local Government (2013) Government gives out transition funding for Council Tax support

(5) ibid

(6) City of York Council (March 2012) Cabinet Paper: Council Tax Support Briefing Paper


(8) City of York Council (October 2013) Cabinet Paper: Technical Reforms to Council Tax


(11) Department for Communities and Local Government (2011) Best Value Statutory Guidance


(15) ibid


(20) Royal College of Psychiatrists. (2009). Debt and mental health: What do we know? What should we do?


Advice York is the partnership of advice agencies in York who offer free, independent, impartial and confidential legal advice in areas of social welfare law, including welfare benefits, debt, housing and employment. We aim to bring together and coordinate the advice sector to best meet the needs of local residents.

A list of partners is available at: www.adviceyork.org.uk