

COUNCIL TAX

Attachment of Earnings & Benefits

15 November 2013



PLYMOUTH
CITY COUNCIL

1. Purpose of the report:

1.1 To provide The Cooperative Scrutiny Board with an overview of Council Tax (Attachment of Earnings) and to enable any recommendations for improvement to be made to add value to Council Business and decision making.

2. Background:

2.1 The levels of council tax are set each year at the end of February/beginning of March and are advertised in the local media.

2.2. Bills are despatched in March and all residents are given instalments in which to pay their council tax.

2.3 Residents are encouraged to contact the council if they cannot meet their instalments or would like them changed to weekly / fortnightly instalments. All reminder letters include full details on the different payment options available along with details of various channels of contact. The Plymouth City Council (PCC) website contains information on Council Tax Spending, our Recovery Process, Payment Options and the services available to residents online.

2.4 In April this year the Government introduced changes to the welfare system which saw council's all over the country reducing the amount of benefits issued to residents.

2.5 The main impact of these changes has affected people of working age that claim housing or council tax benefit. Under the new rules 19,280 households in Plymouth have seen a reduction in their Council Tax Support (previously Council Tax Benefit) of £4 per week. Changes to Housing Benefit, known as "bedroom tax", have also seen a cut in the support received by residents.

2.6 In April 13, 13,395 residents did not pay their scheduled first month's instalment compared to 6,184 April 12, which represents a 116% increase. 5,943 of these customers were paying Council tax for the first time. Customers approaching the Council to discuss Council tax arrears face to face increased by 49.54% during the first quarter of 13/14.

2.7 We are continuously reviewing and improving our collection methods, and the support that we offer to our residents, adopting a more proactive and supporting approach to collection , for example introducing weekly instalments and payments over 12 months to enable greater flexibility for our residents in recognition of the difficulties they face.

3. Process for Non-Payment of Council Tax

3.1 Timeline –

- 14 days overdue - First Reminder;
- 21 days later - Summons issued. Insert enclosed to encourage payment/contact at the earliest opportunity to avoid recovery action;
- 21 days later - Court hearing takes place and a liability order is obtained;
- Once a liability order is obtained an attachment to benefits or earnings can be set up. Bailiff action is taken as a last resort;

3.2 Where a resident is in receipt of benefits, or employed and their employment details are held an attachment order is made following the court hearing. The amounts that are deducted are set by legislation and we are unable to alter these.

A request is sent to either the Department of Work and Pensions or the Employer advising of the deduction amount (see below) and confirmation of the deduction is sent to the resident. If the residents' source of income is unknown, a notice is sent informing the resident that a liability order has been obtained and requesting details of their income. On receipt of this information a decision is made on the most appropriate way to recover the arrears.

Net Weekly Earnings	Deduction Rate %
Up to £75.00	0
Exceeding £75.00 but not £135	3
Exceeding £135 but not £185	5
Exceeding £185 but not £225	7
Exceeding £225 but not £355	12
Exceeding £355 but not £505	17
Over £505	17% for the first £505 and then 50% for the remainder
Residents in receipt of Benefits	£3.60 deducted per week

3.3 In recognition of the impact of Welfare Reform and the need to support our residents and maximise collection the Revenues and Benefits department has adapted its recovery strategy to a more proactive and supportive approach.

3.4 Staff are proactive in contacting residents to discuss non-payment. Discussions focus on payment options and frequency, payment plans, financial management and signposting to other organisations who can help. Residents' circumstances are reviewed to ensure that the appropriate discounts and benefits are in place.

3.5 Since April 2013 the department has benefited from a RISC scoring IT module which allows for the targeting of recovery based on resident Council Tax payment history. For example residents who rarely or have never defaulted before will receive a more supportive reminder if they miss an instalment, than someone who has a history of defaulting on payments.

3.6 Where it is identified that residents in receipt of benefits are unable to meet their instalments and staff have exhausted all other avenues to reduce the Council Tax owed, we have introduced an option to provide a lower payment arrangement. This allows residents to begin to adapt to the requirement to pay to ensure residents get into the habit of paying. These cases are closely monitored and residents are advised that arrangements will be monitored at certain points in the year and re-negotiated giving them time to manage their incomes and negotiate payments with other debtors such as credit cards, loan agreements etc.

3.7 Bailiff action will only be considered as a last resort in order to avoid additional costs. However it is important that recovery action is taken for all non-payers to avoid the burden of non-collection falling on Council Tax payers.

3.8 In addition to the introduction of 12 monthly instalments, residents are also given the opportunity to pay their Council tax on a weekly or fortnightly basis. This allows instalments to be better aligned to resident's income dates.

4. The Impact of Council Tax Arrears on both residents and the Council's Budget

4.1 Council tax is a significant source of our core funding, equating to 1 per cent of our total resources available to provide services to the public. When setting the budget we allow for a level of non-collection (currently 2.5 per cent) however, if we collect less than budgeted for we would have to make difficult decisions to address the issue:

4.2 We could be forced to cut services to the public to make up the shortfall – as council tax does not finance specific services this cut could affect any service. As always, we would try to limit the impact on front line services but taking into account the already difficult financial position caused by the unprecedented level of government cuts it is possible that front line services could suffer.

4.3 We may need to increase the level of council tax we charge to residents in the following year to cover the shortfall caused by the higher level of non-collection.

4.4 In practice the impact is likely to be a combination of these two and effectively the residents who pay their council tax would lose out by having to pay higher tax for a lower level of service.

5. Analyse the reasons why people are going into arrears

5.1 In this economic climate Welfare Reform changes have reduced the amount of disposable income for the people that have the lowest income. Recent increases in the cost of fuel means many people have to choose between paying the bills and feeding their family.

5.2 Advice Plymouth, our local information and advice service has seen a changing scene of debt. During the period July to September 2013, 114 residents were seen with a total of £1.5million debt, comparing to 111 residents with a total debt of £0.5m July to September 2012.

5.3 Records show that in the period July-September 2013 the most common type of debt issue was bankruptcy (15 per cent of people seeking advice services), followed by personal unsecured debt (12 per cent) and mortgage/rent arrears and store/credit card debt (both 10 per cent). The reason most often given for requiring support is dealing with unmanageable repayments.

5.4 Some examples of the increase in the percentage levels of residents seeking advice services include-

- Unsecured personal loan debts have risen from 5.6 per cent in 2012 to 10.2 per cent in 2013;
- Council Tax arrears which have risen from 0.23 per cent to 4.70 per cent;
- Rent Arrears with Housing Associations which have risen from 0.0 per cent to 1.11 per cent.

5.5 Due to the introduction of the council tax changes from April this year, locally 19,280 residents now have a council tax liability for the first time. For this group of residents, between April and September 2013 14,408 reminders have been issued, 6224 summonses sent, and 3,798 liability orders have been issued resulting in 2308 attachment to benefits and 54 attachments to earnings.

6. The Support And Advice That The Council Provides

6.1 Plymouth City Council (PCC) has commissioned Advice Plymouth, a universally accessible information and advice service to serve the needs of its residents. The service combines the expertise of four advice agencies in the city – Plymouth Citizen’s Advice Bureau, Plymouth Age UK, Routeways Ltd and Disability Information and Advice Centre. Through this service residents can access professionals who will support them with financial issues face to face, online or on the telephone.

6.2 Staff dealing with collection of Council Tax are trained to take a holistic view of the residents situation when dealing with a Council Tax Arrears situation. Staff are able to signpost residents to various support groups including Advice Plymouth, Plymouth Energy Community and provide information on our Hardship Funds.

6.3 We hold several discretionary pots of money which can offer financial support to eligible residents. Our Emergency and Welfare Fund will meet financial needs in the case of a crisis or resettlement in the community. The Discretionary Housing Payment Fund supports those who cannot afford rent or removal costs. Our Council Tax Exceptional Hardship Fund can be accessed for those struggling to afford their council tax payments. Finally our Housing Options team can access a Homeless Prevention Fund. Residents are assessed and directed to the relevant fund for their particular need. So far this year these schemes have assisted 1200+ residents.

6.4 The Revenues and Benefits Department are currently planning to utilise the Council Tax Exceptional Hardship Fund to help residents having difficulty paying their council tax bills. As take-up has been low, Officers are encouraging applications from residents who face extreme hardship. For residents who claim Council Tax Support and a request for an Attachment to their Benefit has been returned by Department for Work and Pensions (DWP) as not possible these are likely to be vulnerable residents who are already experiencing high levels of deductions from their limited income. Plans are to contact these residents and encourage an application. Trials are currently being undertaken to consider whether phone contact or sending a form will get the better response from these residents.

6.5 To help residents understand the changes following Welfare Reform the Council has produced a ‘Money Advice’ booklet giving details of all the changes specifically, Council Tax Benefit, the Social Fund, under-occupancy of social housing, the Benefit Cap and Universal Credits.

6.6 As well as explaining the changes the booklet provides useful advice and information on where to get support, how to manage money and tips for finding employment.

6.7 PCC works closely with our local Credit Unions in order to encourage residents to save and to access affordable borrowing. More recently we have supported the opening of a shop in the City Centre (Frankfort Gate) for City of Plymouth Credit Union.