London Borough of Barnet's Council Tax Support Scheme:

Updated Recommendations to Better Support Barnet's Most Vulnerable Residents

Background

In October 2022, Citizens Advice Barnet submitted a report to Allan Clark, Head of Finance: Exchequer, and Darren Smith, Finance Manager: Revenues & Benefits, recommending changes to Barnet's Council Tax Support Scheme (CTSS). In 2023, the council considered changes to the scheme but decided not to amend it.

Following a suggestion submitted by Citizens Advice Barnet to investigate the CTSS, this was discussed at the Overview and Scrutiny Committee meeting on 18th September 2024. Recommendations made at the committee included to review income bandings, which have not changed since 2019, despite significant inflation. This would be welcome, but it would not be enough to bring the scheme in-line with other London boroughs or meet vulnerable residents' needs.

The scale of the Council Tax debt problem among our clients has not changed since 2022: despite the cost of living crisis, Council Tax remains by far the most common debt issue we help people with and continues to affect a third of debt clients. The 5.8% increase in residential Council Tax for 2024/2025 puts further pressure on residents, whose inability to pay is acknowledged as a "new risk" in Barnet Council's 2023/24 Budget Book whereby "Cost of living pressures result[] in an increase in the demand for services and reduced collection of income (particularly around council tax income…"[1]

Of the clients we see with Council Tax debt, 58% are claiming Council Tax Support, and collection rates from those in receipt of support is lower than those not (86.67% compared with 94.64% in 2022/23). This shows the support is not adequate.

Escalating actions to collect arrears costs both those in debt and the council. Debt collection has a snowball effect on debts for residents, yet just 23% of Council Tax debts passed to bailiff firms in 2014 were settled.[2] Being in debt increases the risk of children going into care, physical and mental health problems, and homelessness, increasing demand on council services.[3] Of our clients with Council Tax debt, 39% were at risk of eviction and likely to need support from Barnet Homes, and 14% were likely to need another council service, such as Adult Social Care, a Children's Centre or Social Services.

Providing adequate support for vulnerable residents through the CTSS will prevent Barnet Council from wasting resources attempting to enforce payments residents are unable to make and reduce future demand on council services.

London Borough of Barnet's Current Scheme

Barnet's CTSS applies a banded approach using earned income to determine the level of support, with 72% as the maximum discount a working-age resident can claim.

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[1] Barnet.gov.uk, *Financial Forward Plan and Capital Programme Council Budget 2023 – 2024*
[2] Citizens Advice, *The Costs of Collection: The high price of council tax debt collection*, 2019
[3] Step Change, *The social cost of problem debt in the UK*, 2014

Minimum income floor is applied to calculate the income of the self-employed, and when non-dependants, including full-time students, are in a household, support is reduced unless the claimant or partner is receiving specific parts of disability benefits.

While Barnet's CTSS is updated annually, the last time a full review was undertaken was 2019. Due to the Covid-19 pandemic and cost of living crisis, the world now is completely different from that of 2019, and the political landscape has changed with a new administration having been elected in Barnet in May 2022 and nationally in July 2024. In 2023, Barnet Council commissioned Policy in Practice to model potential changes to the CTSS to better support vulnerable residents. Changes considered included a 100% discount for those with no earnings and delaying the application of minimum income floor for the self-employed. However, it was determined and agreed at Full Council not to change the scheme in April 2024, due to the associated costs.

How Barnet's CTSS Compares to other London Schemes[4]

Like Barnet, most London councils use a banded scheme; however, two thirds offer a full discount for vulnerable groups, and the minimum contribution Barnet residents must make is the second highest of all London boroughs. While Barnet, like three other boroughs, does not include income from benefits when calculating bandings, "those at the lower income end are still worse off, and vulnerable groups [are] not protected."[5] Even those with no income, whether earned or from benefits, have to pay 28%.

Barnet's second band requires residents to pay one of the highest minimum contributions of all local authorities nationally and includes residents earning just 1p per month. A private report by entitledto in February 2024 found: "Barnet has the highest minimum contribution of all banded schemes for claimants earning £1-£100w."

Unlike Barnet, two thirds of London councils do not apply minimum income floor when calculating the income of claimants who are self-employed, using average actual earnings instead. Those that do base this on a 35 or 36 hour week, unlike Barnet which assumes a 40 hour week, unless hours are disclosed. Some London councils also make allowances for single parents and those who've been self-employed for less than a year.

Barnet is one of just four London councils which includes students as non-dependants when calculating deductions to support: the vast majority of London councils specify that such deductions do not apply to students as they are excluded from Council Tax.

Recommendations

1) Adjust income bandings

The income bandings Barnet Council uses to determine the level of support vulnerable residents are eligible for was introduced in April 2019 when National Living Wage was £8.21; as of April 2024, National Living Wage is £11.44. In this time the bandings have not been changed, failing to account for inflation. This means residents doing the same low paid work are being pushed into a higher income bracket with less support.

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[4] A full comparison of London's CTS schemes is shown in Appendix 1.

[5] A private report written for Citizens Advice Barnet by entitledto, 2024

One of the biggest concerns for this banding system is the minimum contribution for those in the second band (48% for those earning 1p-£500 per month). "The effect when compared with other schemes is particularly harsh on those earning under £100w, as other schemes let you stay in band 1 up to much higher incomes. Barnet has the highest minimum contribution of all banded schemes for claimants earning £1-£100w."[6]

Barnet's CTSS does not account for differences in disposable income between different household types, such as couples without children vs single parents. Adjusting for residents' differing circumstances would better support the most vulnerable: for example, Ealing offers a full discount for lone parents with children under five.

The recommendation from Barnet Council's Overview and Scrutiny Committee to review income bandings would therefore be welcome. We recommend the Council goes further than simply increasing bandings in-line with inflation by reviewing their income bandings altogether. Citizens Advice Barnet would be happy to support with this.

2) **Abolish the use of minimum income floor to calculate earnings of self-employed workers.**

The application of the minimum income floor severely disadvantages self-employed workers: in Barnet, over 85% of all self-employed households report earnings below the minimum income floor.[7] This is especially the case as, unlike the application for Universal Credit, no allowance is made for people who are newly self-employed and therefore earning less: people who are self-employed earn almost four times more, on average, after three years than they do in their first year.[8] Delaying the application of minimum income floor, as considered as a change to the CTSS in 2023, would be welcome; however, Barnet is one of just six London councils to be using minimum income floor and is alone in basing the calculations on a 40 hour week, unless the applicant proactively discloses the number of hours they work: all others use a 35 or 36 hour week. Abolishing the use of minimum income floor would be more in-line with other London councils and provide better support for self-employed residents.

3) **Exclude students as non-dependents when taking deductions**

Barnet Council is one of just four London councils which does not state that full-time students are excluded as non-dependants when calculating deductions to Council Tax Support. This means deductions are taken from households where a full-time student is living, despite students being disregarded from Council Tax. Usually this happens when a full-time student continues to live at home, which is more common in London.

4) **Provide a full discount for the most vulnerable groups.**

Providing a full discount for the most vulnerable groups would have the biggest impact on reducing Council Tax debt in Barnet. A report by Policy in Practice shows that "local

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[6] A private report written for Citizens Advice Barnet by entitled to, 2024

[7] Policy in Practice, *London Borough of Barnet Council Tax Reduction Scheme Modelling*, 2018

[8] Royal Society for the encouragement of Arts, Manufactures and Commerce and Joseph Rowntree Foundation, *Boosting the living standards of the self-employed*, 2015

authorities with higher maximum CTR [council tax reduction] awards tended to report higher council tax collection rates".[9] Many of the people we help who are in Council Tax arrears simply cannot afford the minimum contribution. This is the main reason Council Tax debt is so prevalent in Barnet: in all but one of the London boroughs which require a minimum contribution, Council Tax is the most prevalent debt, whereas other debts, usually fuel, are more common in more than half of the boroughs which offer a full discount.[10] Two thirds of London councils now offer a full discount for vulnerable groups, including Islington which required a 5% minimum contribution in 2022.

Most of the London councils which offer a full discount do so for people who are disabled, claiming certain benefits, out of work or have low income. Under Barnet's CTSS, those with no income still have to pay 28% of their council tax bill. One of the changes considered for the scheme in 2023 was applying a maximum discount for those with no income. This would be welcomed by Citizens Advice Barnet; however, we appreciate the costs of this were found to be too high and would be happy to work with the council to identify alternative groups to achieve the biggest impact at the lowest cost. For example, when we last discussed changes to the CTSS, Barnet Council had considered a full discount for residents claiming disability benefits. Additionally, Barnet Council records, by postcode, whether areas are likely to be able to pay their Council Tax, and 10% of postcodes have a <6% chance of paying. This could inform the CTSS so those unable to pay access full support, preventing them from incurring debt.

An alternative would be to reduce the minimum contribution to be more in-line with other London councils requiring a minimum: most set this at 20% or less, and three London councils (excluding Islington) reduced the minimum contribution since 2022.

Conclusion

Despite the cost of living crisis, Council Tax debt remains by far the most common debt problem we see. This shows the scale of the problem of Council Tax debt in Barnet. Making changes to the CTSS would have a significant impact on Barnet's Council Tax debt problem. By far the most impactful change the council could make would be to offer 100% support for certain vulnerable groups. This would prevent a significant number of people from falling into Council Tax debt in the first place.

We recognise that the council does have to consider the costs involved in making changes to the CTSS. However, making the right changes will save the council the cost of attempting to enforce payment from those who simply do not have the money to pay, and preventing such people from falling into debt will save money on public services in the long term. It will also reduce the pressure on the few debt advice and casework services available in Barnet, enabling us to support more people in energy debt and rent arrears as a result of the cost of living crisis. All of this will enable Barnet Council to take a preventative approach to Council Tax debt and the additional problems which often develop as a result of it, supporting all residents to live healthy and fulfilling lives, in safe and thriving communities.

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[9] Policy in Practice, *Council Tax debt collection and low-income Londoners*, 2020.
[10] Based on data from other local Citizens Advice charities in London.

Appendix 1: London Council Tax Support Scheme Comparison

Authority	Maximum discount available	Groups receiving maximum discount	Benefits included as income	Minimum income floor applied?	Non-dependant deduction taken for students?
Bromley	70%	N/A	Means-tested benefits only	N	N
Barnet	72%	N/A	N	Y	Y
Lewisham	75%	N/A	Means-tested benefits only	N	N
Redbridge	78%	N/A	Means-tested benefits only	N	N
Bexley	80%	N/A	Means-tested benefits only	Information unavailable	Information unavailable
Havering	80%	N/A	Means-tested benefits only	N	N
Barking and Dagenham	85%	N/A	Means-tested benefits only	N	N
Waltham Forest	85%	N/A	Means-tested benefits only	Y	N
Harrow	86%	N/A	Y	N	N
Hackney	90%	N/A	Means-tested benefits only	N	N
Newham	90%	N/A	Means-tested	N	N

Authority	**Maximum discount available**	**Groups receiving maximum discount**	**Benefits included as income**	**Minimum income floor applied?**	**Non-dependant deduction taken for students?**
			benefits only		
Brent	100%	Households earning less than £80 a week.	Information unavailable	N	Y
Camden	100%	Those not working or earning less than £105.20 per week	N	N	N
Croydon	100%	Those receiving disability benefit where neither claimant nor partner working.	Means-tested benefits only	Y[11]	Y
Ealing	100%	Lone parent with children under five, recipients of disability benefits, care leavers under 25, carers in receipt of Carers Allowance, recipients of Armed Forces Independence Payment.	N	Y[12]	N
Enfield	100%	War widows and single people under 25 including care leavers	Means-tested benefits only	N	N
Greenwich	100%	Recipients of certain benefits	Information unavailable	Information unavailable	Information unavailable
Hammersmith & Fulham	100%	Those on low incomes	Means-tested benefits only	N	N

[11] At 35 hours per week after one year and 20 hours per week for lone parents.
[12] At 35 hours per week and 16 hours per week for lone parents.

Authority	Maximum discount available	Groups receiving maximum discount	Benefits included as income	Minimum income floor applied?	Non-dependant deduction taken for students?
Haringey	100%	Disabled people and households with children when their income is not greater than the set amount allowed for living expenses.	Means-tested benefits only	N	N
Hillingdon	100%	Low income households, dependent on household type.	Means-tested benefits only	N	N
Hounslow	100%	Low income households – less than £250 a month.	N	N	N
Islington	100%	Not working and in receipt of disability benefits or single parent with no earnings and child under 5	Information unavailable	Information unavailable	Y
Kensington and Chelsea	100%	Low income households – different household types taken into account	Means-tested benefits only	N	N
Kingston upon Thames	100%	Low income households	Means-tested benefits only	N	N
Lambeth	100%	Includes people registered as disabled, carers , war widows/widowers, families who have their benefit reduced by the benefit cap.	Information Unavailable	N	Information unavailable
Merton	100%	Recipients of certain benefits or income lower than liveable amount	Means-tested benefits only	N	N
Richmond upon Thames	100%	Recipients of disability benefits, carers allowance, war disablement pension or war widows pension.	Means-tested benefits only	N	N
Southwark	100%	Recipients of income support, state pension credit,	Means-tested	N	N

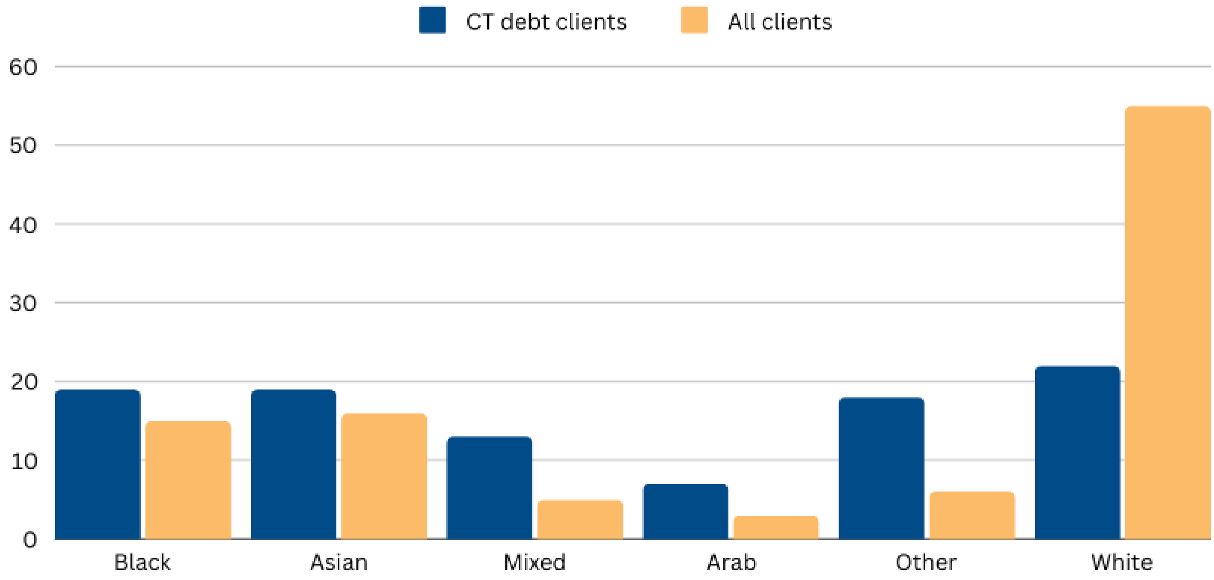
Authority	Maximum discount available	Groups receiving maximum discount	Benefits included as income	Minimum income floor applied?	Non-dependant deduction taken for students?
		income-related ESA, or income based JSA.	benefits only		
Sutton	100%	No-one in household is employed, and someone in household is disabled	Disability benefits excluded	Y[13]	N
Tower Hamlets	100%	Low income households	Information Unavailable	Y[14]	Information unavailable
Wandsworth	100%	Those in receipt of certain benefits or with young children.	Means-tested benefits only	N	N
Westminster	100%	Low income households	Y	Information unavailable	N

[13] At 36 hours per week
[14] At 36 hours per week after one year of self-employment

Appendix 2: Profile of Citizens Advice Barnet Clients in Council Tax Arrears

Ethnicity

Ethnic minorities are disproportionately represented among clients who come to us in Council Tax debt, accounting for 78% of such clients compared with 45% of all clients.

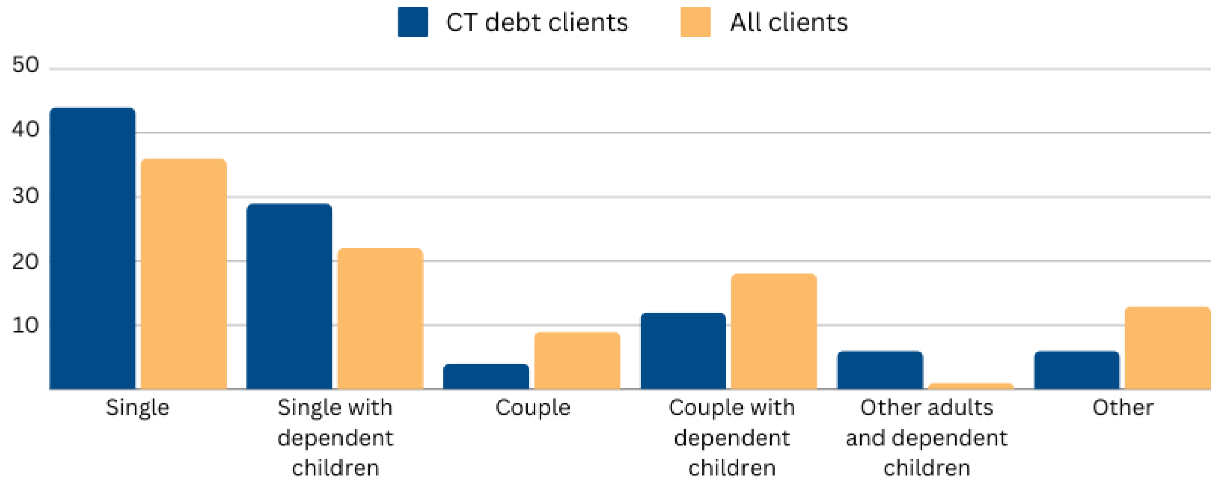


Disability/Health

Those with a disability or long-term health condition are overrepresented in clients who come to us with Council Tax arrears, accounting for 58% of such clients.

Household Type

Single adults, both with and without dependent children, are overrepresented among clients with Council Tax debt compared with all clients, totalling 73% of such clients. Almost half of households in Council Tax debt contain dependent children.



Appendix 3: Case Studies

Linda is a single parent with no savings on a zero hours contract. She came to us for a foodbank voucher because she was struggling to make ends meet. During her appointment, we identified she had various debts, including Council Tax debt, despite receiving Council Tax Support. Part of her Council Tax debt had been passed on to Equita to enforce, but due to Linda's financial situation, they had been unable to do so.

Eirini is a single parent with a one year old baby. She works part-time and would like to work more hours but is unable to due to the restrictions on free childcare. Despite receiving Council Tax Support, she is behind on her Council Tax payments and has other debts, including rent arrears, and has been asked to leave by her letting agent.

Sanjida is unable to work as she cares for her disabled son and unwell husband, who is unable to work due to his own poor health. Despite receiving Council Tax Support, the family are unable to afford their Council Tax and have fallen into arrears. Due to their lack of income and the additional costs of looking after their child, they have become reliant on foodbanks to feed the family.

Fariba and her husband were referred to us by a social prescriber because they couldn't afford formula and were underfeeding their two month old baby. The family also have various debts, including Council Tax, despite receiving Council Tax Support. In addition to referring her to Debt Free Advice, we signposted her to Healthy Start, Home Start and her local Children's Centre for further support.

Kwame has various mental and physical health conditions, including PTSD. As a result he is unable to work and is extremely financially vulnerable with various debts totalling around £30,000. Despite claiming full Council Tax Support and receiving the Single Person Discount, Kwame is in growing Council Tax arrears.