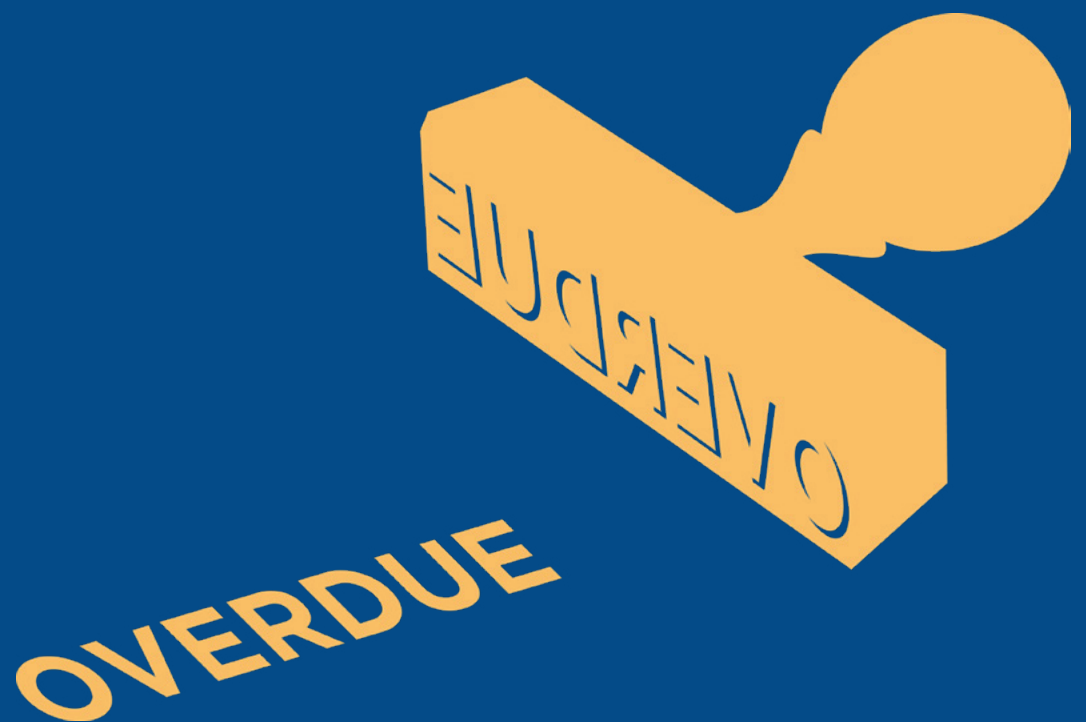


# Council Tax Arrears and Debt: Impact on Clients

## March 2024



East Herts



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# Executive Summary

Council Tax is a local taxation system introduced in 1993 in England, Scotland and Wales on domestic property. It is an annual fee paid to fund local services such as maintaining roads, street lighting and rubbish collection. Each property is assigned one of eight bands in England and the tax is set as a fixed amount for each band. The higher the band, the higher the tax. In East Herts an example of the current bands is £1,401 to £4,204. Failure to pay council tax for any reason, can lead to serious consequences such as further costs, legal action including enforcement agencies, losing your home and even being sentenced to prison. This is why it is a priority debt.

There is support available for those who struggle to pay their council tax, operated by District Councils, so East Herts locally. However, council tax arrears have been growing for several years. Significantly, council tax arrears in England are increasing at a higher rate than council tax bills, suggesting that the issue of affordability of council tax bills is getting progressively worse, with more households struggling to pay it<sup>1</sup>. Under current legislation in England and Wales, when you miss one month's payment, you become liable for the whole annual bill. This means that missing an average council tax payment of £167 in the first month of the financial year can escalate to a debt of over £2,000 in just nine weeks.

Council tax arrears is one of the most common debt issues that Citizens Advice helps people with. Citizens Advice estimate that in 2023 nearly 1 in 10 adults (9.2%) in England and Wales were in council tax arrears (around 4.36 million). Many can't pay back what they owe because they're on such low incomes — nearly two fifths (38%) earn less than £20,000, and half are receiving Universal Credit. At Citizens Advice East Herts, we are also seeing increasing numbers of people with Council Tax arrears. Out of the past 12 months (January to December 2023), council tax arrears have been our top debt issue for all but two months and represent more than a quarter of all debt problems that people come to us for help with. We have seen more than twice the number of clients with council tax arrears between October and December 2023 compared with the same time period in 2022. Our research shows that more of our clients are seeking help with:

- Dealing with their council tax debts due to cost-of-living issues. Council tax debt is one of five key cost of living issues that we monitor monthly, and the number of these issues has soared in the last two years.
- Claiming council tax support as they find the process difficult to use or don't even know about it.
- Legal action that is being taken against them because they can't pay.

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1 [https://moneyadvicetrust.org/wp-content/uploads/2023/03/Money\\_Advice\\_Trust\\_Briefing\\_on\\_Council\\_Tax\\_Arrears\\_figures\\_-\\_June\\_2022\\_uSEMspw.pdf](https://moneyadvicetrust.org/wp-content/uploads/2023/03/Money_Advice_Trust_Briefing_on_Council_Tax_Arrears_figures_-_June_2022_uSEMspw.pdf)

In addition to the work already done by our Advisers and the resources available on our website, we are planning to run a local campaign to help raise awareness of council tax support. We also recommend:

1. Bring to the attention of DWP that UC advisers are not always telling clients to claim Council Tax reduction and how they can do this.
2. Request a review of Council Tax Support pages on the East Herts District Council pages<sup>2</sup> to ensure that it is clearer who is eligible for Council Tax Support/Reduction.
3. Ask Government to remove the trap that makes people responsible for their full annual council tax bill if they miss just one payment. Wales has already committed to doing this — meaning thousands of households won't need to worry about the consequences if they can't cover their bills in one month.

## Introduction

This report takes a look at council tax, council tax debt, and council tax support. It covers the national picture followed by a focus on East Herts. It examines the issues that our clients come to us for help with so we can make recommendations on improving processes and communication.

We often talk in numbers but behind everyone is a person with a story. It is noteworthy that clients who come to us with Council Tax debt, often have other debts and are living with poor mental or physical health. We have included some of their stories (with names changed).

## What is Council Tax?

Council Tax is a local taxation system used in England, Scotland and Wales. It is a tax on domestic property, which was introduced in 1993 by the Local Government Finance Act 1992, replacing the short-lived Community Charge, which in turn replaced the domestic rates.

Each property is allocated to one of eight bands coded by letters A to H on the basis of its assumed capital value. Each local authority sets a tax rate expressed as the annual levy on a Band D property inhabited by two liable adults. To calculate the Council Tax for a particular property, a ratio is then applied. A Band D property will pay the full amount, whereas a Band H property will pay twice that. Note there is no upper limit for band H. This means that a resident in a multimillion-pound mansion in Band H would pay Council Tax of only three times the amount for a bedsit in Band A.

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<sup>2</sup> <https://www.eastherts.gov.uk/benefits-and-financial-support/council-tax-support>

Only people over 18 can be made to pay the bill. If you are married, live with your partner, or live together in a same-sex civil partnership, both you and your partner will be potentially responsible for paying all of the bill. This is known as 'joint and several liability'. If joint tenants, joint owners, or partners are named on the original council tax bill they are jointly and severally liable<sup>3</sup>.

If you don't pay your council tax, your council will send you a reminder notice giving you 7 days to pay if you miss a payment. If you don't pay within 7 days, you'll have to pay the whole year's Council Tax instead. If you don't pay your whole year's Council Tax within 7 days, the council may take legal action to get the Council Tax you owe. Your council can ask a magistrate for a 'liability order' if you owe them unpaid Council Tax. This is a legal demand for payment.

Your council can get your employer to pay your unpaid Council Tax directly from your wages and your council can also apply to take money from benefits you might be receiving, such as Universal Credit. Your council can also send bailiffs ('enforcement agents') to seize your property if there's no other way to recover your debt.

Because of the possibility of losing possessions, Council Tax arrears are classified as 'priority' debt which needs to be paid before non-priority debts, such as credit cards or unsecured loans.

Michael (*name changed*) who is dyslexic, had lived in a property for many years and had received Council Tax Support during this period. When he moved to a new property, he assumed that the Council Tax support would follow him to his new property. When notifying the DWP of his move and a change to his Universal Credit payments arising from the move, he was not told that he would need to make a new Council Tax Support application for his new flat. Whilst he continued to pay the reduced amount of council tax, he unknowingly built-up arrears of almost £2,000 and now legal action was underway with a court hearing scheduled. Our Adviser helped Michael find out who to contact prior to the hearing date to explain the situation and his dyslexia and receive support at the court hearing. The Adviser also helped Michael find out how to arrange for a council officer to help him claim council tax support and back date to when he had moved into the new property.

Some property is exempt from the tax, and some people are exempt from the tax, while some get a discount. The discount is called Council Tax Reduction<sup>4</sup> (called Council Tax Support by East Herts) and the claimant has to apply to their local Council. Each local authority administers its own council tax reduction scheme<sup>5</sup>.

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3 <https://nationaldebtline.org/fact-sheet-library/council-tax-arrears-ew/>

4 <https://www.gov.uk/apply-council-tax-reduction>

5 [https://england.shelter.org.uk/professional\\_resources/legal/benefits/council\\_tax\\_support](https://england.shelter.org.uk/professional_resources/legal/benefits/council_tax_support)

## The National Debtline states<sup>6</sup>:

“You may be able to get a discount to reduce your council tax bill if:

- you are the only adult in the property: or
- you share your house only with people who are **not** counted for council tax purposes.

Examples of people who are **not** counted include:

- a full-time student or student nurse;
- an apprentice or someone on a youth training scheme (only certain ones apply); or
- someone with a mental disability who is getting certain disability benefits.

## Second Adult Rebate

If you live in England, you may be able to claim the Second Adult Rebate if you share your home with another adult person who:

- is on a low income;
- is not liable to pay the council tax bill; and
- does not pay rent to you.

## Discretionary reduction

The council also has the discretion to reduce your council tax bill (or previous debt) in part or in full. They can consider a discretionary reduction if you are liable for the council tax and there are exceptional circumstances, such as severe financial hardship.”

# Council Tax Nationally

In 2022-23 local authorities collected a total of £36.5 billion in council tax, irrespective of the year to which it related. This was an increase of £2.0 billion, or 5.6%, over 2021-22. Authorities report that this is mainly due to increase in council tax bills.

At 31 March 2023, the total amount of council tax still outstanding amounted to £5.5 billion. This is a cumulative figure and includes arrears that may stretch back a number of years. This is an increase of £510 million over the figure at the end of 2021-22<sup>7</sup>.

Council tax places a higher burden on lower income households. The amount varies between local authorities and is linked to the value of the property - not the level of household income. In London, the poorest households pay 8.1% of their income towards council tax - compared to only 1.3% for higher earners.

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<sup>6</sup> <https://nationaldebtline.org/fact-sheet-library/council-tax-arrears-ew/>

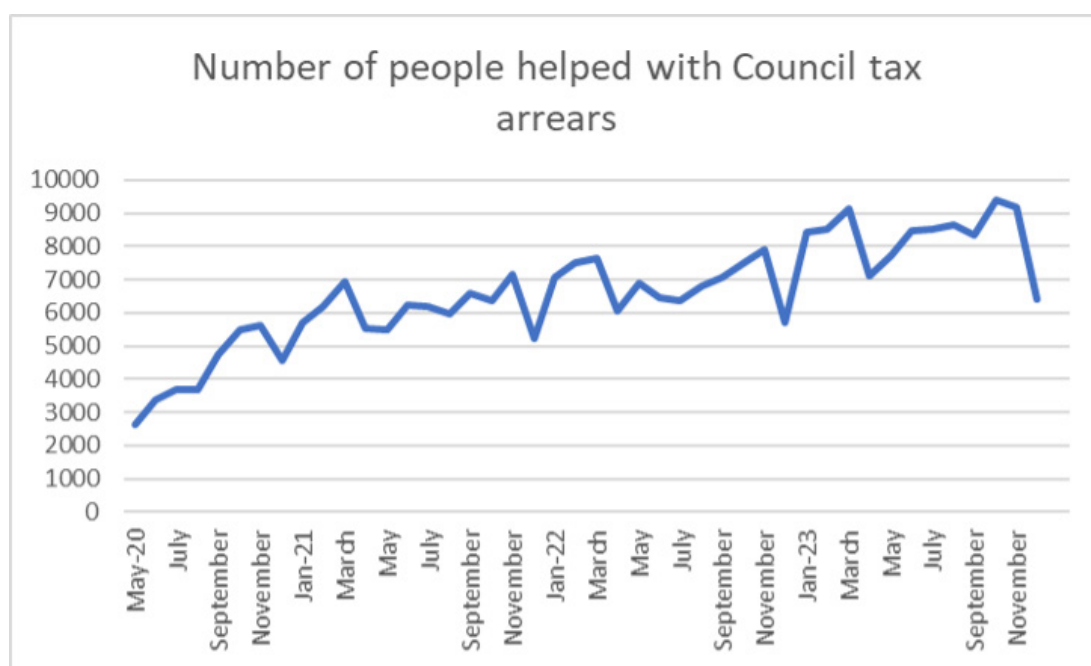
<sup>7</sup> <https://www.gov.uk/government/statistics/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2022-to-2023/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2022-to-2023>

Council tax arrears have been growing for several years. Significantly, council tax arrears in England are increasing at a higher rate than council tax bills, suggesting that the issue of affordability of council tax bills is getting progressively worse, with more households struggling to pay it<sup>8</sup>.

In 2022, the Money Advice Trust<sup>9</sup> said, “In the past five years, the average Band D council tax bill in England has risen by 24% (from £1,530 to £1,898). However, over the same period the level of council tax arrears has risen by 74% - a significantly higher proportion (from £2.8 billion to £4.9 billion).” And this continues to be the case.

Council Tax arrears is one of the most common debt issues that Citizens Advice helps people with. National Citizens Advice estimate that in 2023 nearly 1 in 10 adults (9.2%) in England and Wales were in Council Tax arrears (around 4.36 million). Many can't pay back what they owe because they're on such low incomes — nearly two fifths (38%) earn less than £20,000, and half are receiving Universal Credit.

The graph below shows the exponential growth in numbers of people Citizens Advice have been helping nationally with council tax arrears from 2,000/month in March 2020 to over 9,000/month in September 2023<sup>10</sup>.



StepChange, a national debt advice charity, have also reported that the number of their clients with council tax arrears have increased from 30% in 2019 to now in 2022 (latest figures) 36% of their clients are in Council Tax arrears with an average arrears amount of £1,689.

8 [https://moneyadvicetrust.org/wp-content/uploads/2023/03/Money\\_Advice\\_Trust\\_Briefing\\_on\\_Council\\_Tax\\_Arrears\\_figures\\_-\\_June\\_2022\\_uSEMspw.pdf](https://moneyadvicetrust.org/wp-content/uploads/2023/03/Money_Advice_Trust_Briefing_on_Council_Tax_Arrears_figures_-_June_2022_uSEMspw.pdf)

9 [https://moneyadvicetrust.org/wp-content/uploads/2023/03/Money\\_Advice\\_Trust\\_Briefing\\_on\\_Council\\_Tax\\_Arrears\\_figures\\_-\\_June\\_2022\\_uSEMspw.pdf](https://moneyadvicetrust.org/wp-content/uploads/2023/03/Money_Advice_Trust_Briefing_on_Council_Tax_Arrears_figures_-_June_2022_uSEMspw.pdf)

10 Citizens Advice casebook data: Council Tax Arrears

Under current legislation in England and Wales, when you miss one month's payment, you become liable for the whole annual bill. While Wales has committed to changing this - England hasn't<sup>11</sup>. In a report from 2020 Citizens Advice found: "This means that missing an average council tax payment of £167 in the first month of the financial year can escalate to a debt of over £2,000 in just nine weeks.

This is almost 300 times the monthly amount available to the average person seeking support from Citizens Advice on council tax arrears<sup>12</sup>."

People like Helen (*name changed*), who lives in Hertford, came to Citizens Advice East Herts as she was in debt after struggling with cost of living rises. Helen had no money for food and no heat or hot water as she also had no money for topping up her pre-payment meter. Helen explained that she had several thousand pounds of council tax arrears as she did not know she had to pay it and so had built up a large debt. When Helen became aware that she could apply for Council Tax reduction, she tried to make an application but was told that she did not have sufficient proof of identity. Our Advisers were able to help with immediate support by arranging for food and fuel vouchers and advised Helen what identity documentation was acceptable to make a council tax support claim. A successful claim would then help Helen reduce her council tax arrears and arrange a suitable repayment plan for the remaining debt.

## Council Tax in East Herts

Residents in East Hertfordshire pay their Council Tax to East Hertfordshire District Council.

Council Tax goes towards a range of services provided by Hertfordshire County Council, Police and Crime Commissioner (PCC), East Herts District Council and the relevant town or parish Council. Example East Herts rates, for Bishops Stortford for 2023/2024 are as follows:

Band	Amount in £
A	1,401.28
B	1,634.81
C	1,868.37
D	2,101.91
E	2,569.01
F	3,036.10
G	3,503.19
H	4,203.82

<sup>11</sup> <https://wearecitizensadvice.org.uk/council-tax-arrears-are-a-slippery-slope-994d0168b756>

<sup>12</sup> <https://www.citizensadvice.org.uk/cymraeg/amdanom-ni/about-us1/media/press-releases/wrong-side-of-the-tax-hidden-financial-hardship-of-those-in-council-tax-arrears-revealed/>



The contribution of council tax which is allocated to East Herts Council covers a range of local services including refuse and recycling collection, planning, building control, licensing, housing, parking and council tax collection. Council Tax is billed and collected by each district council on behalf of Hertfordshire County Council.

In 2023/24 East Herts total council tax requirement is £12,113,435.95<sup>13</sup>. In 2023, the council tax in Hertfordshire increased by a total of 4.99%, which includes an increase of 2% for the adult social care precept and an additional 2.99% for general Council Tax. This works out at an extra £1.47 a week for average Band D households.

While East Herts Council does not hold records on the amounts of Council Tax arrears passed on to enforcement agencies, in 2021/22 they recovered £253,983.05, and in 2022/23 £210,160.16<sup>14</sup> from people in arrears.

Council Tax details for East Herts can be found on their website at:

<https://www.eastherts.gov.uk/council-tax>

## Council Tax Support in East Herts

East Herts Council provide Council Tax Support (called Council Tax Reduction by Citizens Advice and gov.uk) and this is available to help those who struggle to pay their Council Tax. Council Tax Support is paid direct to the resident's Council Tax account.

Various discounts are available for Council Tax, for example if you live alone, are a student, are severely mentally impaired, are a carer or a careworker, if you are disabled or if you live in a care home<sup>15</sup>.

East Herts Council confirmed that in 2023, there are 5089 recipients of Council Tax Support currently, 2190 are pensioners and 2899 are of working age.

Residents have a responsibility to inform East Herts Council if there is any change in their circumstance which may affect their Council Tax or Council Tax Support. For example, if a new partner moves in, the single person reduction is lost. This can be done online or by filling in a form<sup>16</sup>. If the Council are not told of changes to circumstances, there is a danger of under or overpayment of Council Tax. This could result in losing money you are entitled to, or the council may take court action against you if you receive too much and don't pay it back.

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<sup>13</sup> <https://democracy.eastherts.gov.uk/documents/s61112/Council%20Tax%20Resolution%202023-24.pdf?j=1>

<sup>14</sup> [https://www.whatdotheyknow.com/request/amount\\_of\\_council\\_tax\\_arrears\\_fo\\_6](https://www.whatdotheyknow.com/request/amount_of_council_tax_arrears_fo_6)

<sup>15</sup> <https://www.eastherts.gov.uk/council-tax>

<sup>16</sup> <https://www.eastherts.gov.uk/benefits-and-financial-support/council-tax-support>

The Department of Work and Pensions should inform the Council If a resident claims Universal Credit or Employment and Support Allowance. However, in order to claim Council Tax Support, the resident must still complete the Council Tax Support form online using their Benefit Claim and Calculator. This is also available as a paper form. It's not clear whether this information is routinely passed on to UC claimants, leading to them being charged the full amount and increasing their debts.

For some clients, Council Tax arrears isn't their only debt but as a priority debt, it can have a massive impact. Mary (*name changed*) came to us with several debts including Council Tax arrears of £2,500 as she wasn't claiming council tax support. She was claiming universal credit but this wasn't sufficient to cover the full amount of her rent. Mary had received a possession order for her property and was devastated to see she owed £5,000 in rent arrears as well as her other debts. At this point, she contacted Citizens Advice, and we asked one of our Money Advice Caseworkers to work with Mary.

Our caseworker helped Mary with her debts, to claim Council Tax Support, to apply for a Discretionary Housing Payment and worked with each of her utilities providers to help manage her debts and most importantly helped with obtaining an adjournment of the possession order against her property.

Our caseworker then worked with Mary to apply for a Debt Relief Order (DRO) which means that if she continues to pay the UC rent shortfall, she doesn't have to pay anything towards the other debts, she can continue to live in her property and will be free from the debts listed in the DRO in 12 months. This gives Mary the breathing space to take steps to downsize and increase her working hours.

Citizens Advice are known as a helpful agency for people struggling with Council Tax. Advisers at Citizens Advice East Herts have access to resources, including council tax reduction calculators to support clients in the area. Where information is recorded on outcomes for clients our Advisers have helped with council tax arrears, the amount of debt written off has averaged £1,767.

We also have created resources on our website for anyone doing their own research:

**<https://www.citizensadvice.org.uk/housing/council-tax/check-if-you-can-pay-less-council-tax/>**

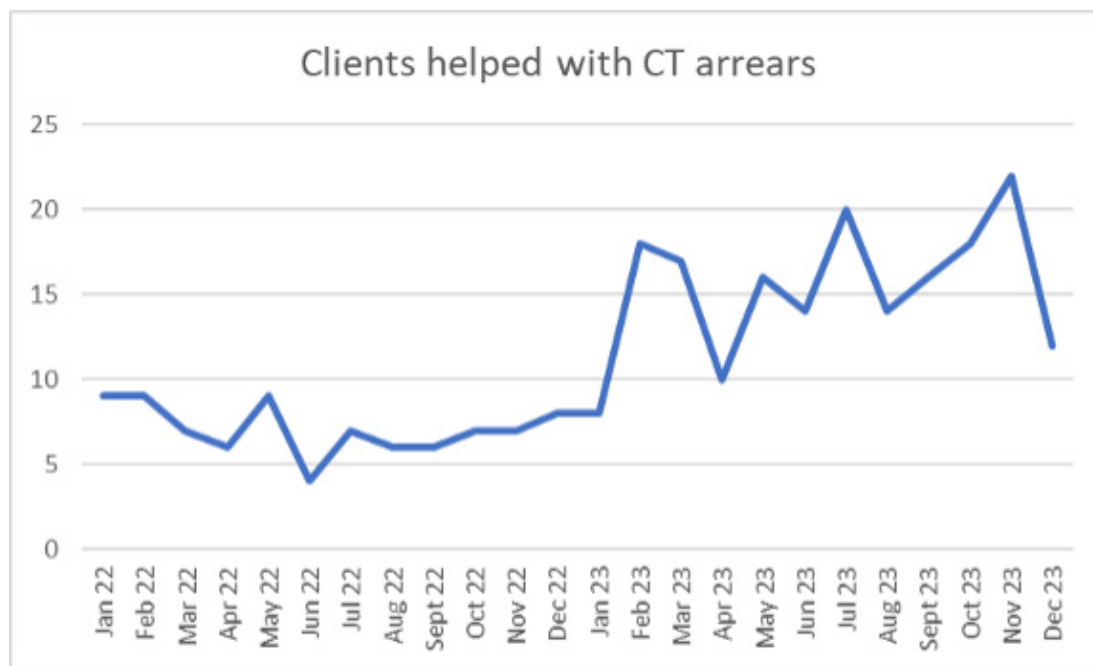


# Summary of Findings

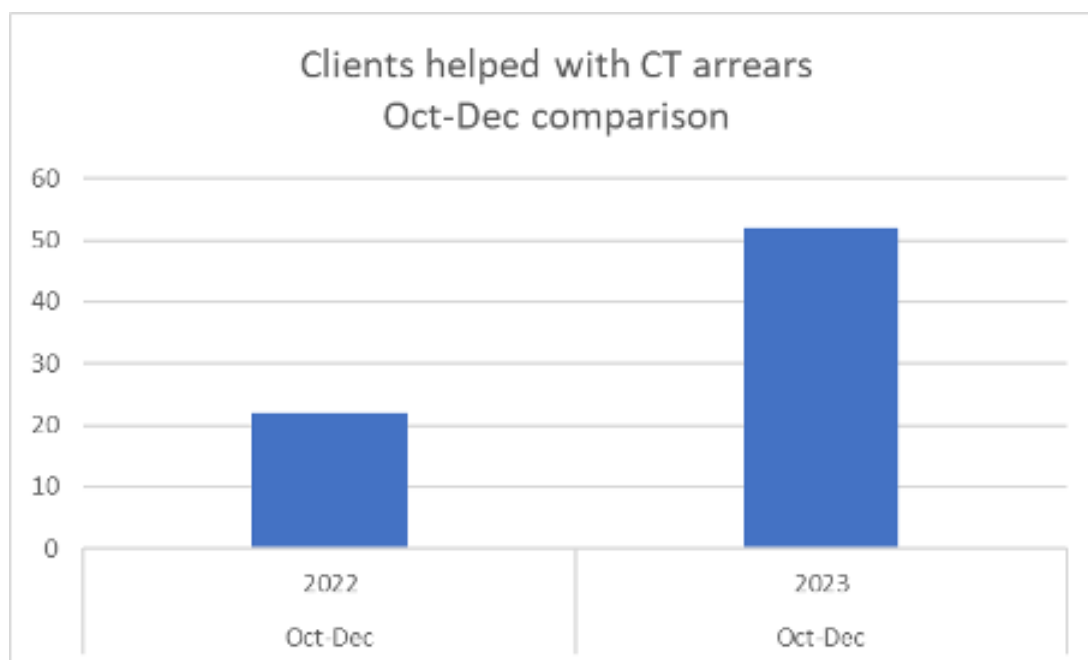
Our research shows that there are a number of issues which are affecting our clients:

## The level of arrears in East Herts amongst those paying Council Tax

We are seeing increasing numbers of people with Council Tax arrears. Out of the past 12 months, Council tax arrears has been our top debt issue for all but 2 months and represents more than a quarter of all debt problems that people come to us for help with. Please note the dip in December is due to reduced adviser hours during the holiday period.



We have seen more than twice the number of clients (136%) with Council Tax arrears between October and December 2023 compared with the same period in 2022:



## **Clients struggling with debt payments from their Council Tax Arrears**

There has been a significant increase in clients struggling with debt repayments from their Council Tax arrears, with the numbers almost doubling in 2023 compared with 2022. While it is the experience of Citizens Advice East Herts that East Herts appear to put accounts in arrears on hold a lot and for a long period of time, which is considered good practice as it can stop debts escalating for vulnerable people, council tax debt numbers are continuing to rise, suggesting more needs to be done to support people.

## **Issues with the Council Tax support scheme and how it is administered**

Clients are also coming to us as they are struggling with how to claim Council Tax reduction. There has been a significant rise in clients needing help in this area - a 96% increase in those with issues with Council Tax reduction between October and December 2023 compared with the same time period in 2022.

## **Clients dealing with legal action against them due to unpaid Council Tax**

The number of clients who come to us for help as they have legal action against them is small but has increased by five times when comparing 2022 with 2023. Legal action can lead to serious consequences e.g. a liability order issued by a magistrate's court enables recovery action to be taken as detailed earlier in this report.

## **Clients not being made aware that they are eligible for council tax reduction**

New Universal Credit claimants on the UC Claims line are not always being told to claim Council Tax support from the local council. This is a failure of training or scripting or both, but it means that people are unnecessarily falling into Council Tax arrears through lack of information. Additionally other high need groups such as Ukrainians (under the Homes for Ukraine's scheme) are not routinely being told to claim single persons discount when paying Council Tax when moving into their own accommodation. Most of the adult Ukrainians that we help are single women, many with children.

## **Lack of clarity on the East Herts District website**

As part of this report, a review was carried out of the East Herts District Council website pages relating to Council Tax and then Council Tax Support. We found that information on qualification for and how to claim a reduction in Council Tax was unclear and difficult to navigate. People with literacy issues, visual impairment or other blocks to digital access would be disadvantaged.

# Recommendations

In addition to the work already done by our Advisers and the resources available on our website, we are planning to run another local campaign to help raise awareness of council tax support. We also recommend:

1. Bring to the attention of DWP that UC advisers are not always telling clients to claim Council Tax reduction and how they can do this.
2. Request a review of Council Tax Support pages on the East Herts District Council pages<sup>17</sup> to ensure that it is clearer who is eligible for Council Tax Support/Reduction.
3. Ask Government to remove the trap that makes people responsible for their full annual council tax bill if they miss just one payment. Wales has already committed to doing this - meaning thousands of households won't need to worry about the consequences if they can't cover their bills in one month.



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<sup>17</sup> <https://www.eastherts.gov.uk/benefits-and-financial-support/council-tax-support>

# Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

Citizens Advice is a local independent charity, part of the national network. As a charity we have to fundraise to cover the costs of delivering our free advice service. For further information on the work we do, how we can help or how you can get involved please see our website:

**[citizensadviceeastherts.org.uk](https://citizensadviceeastherts.org.uk)**



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