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| REPORT TO: | OVERVIEW and SCRUTINY COMMITTEE | AGENDA ITEM: 6 |
| DATE OF MEETING: | 31 MARCH 2021 | CATEGORY: RECOMMENDED |
| REPORT FROM: | STRATEGIC DIRECTOR (CORPORATE RESOURCES) | OPEN |
| MEMBERS' CONTACT POINT: | KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@southderbyshire.gov.uk | DOC: u/ks/revenues and benefits/universal credit/4 scrutiny report March 2021 |
| SUBJECT: | COUNCIL TAX COLLECTION and UNIVERSAL CREDIT: UPDATE | TERMS OF REFERENCE: 6.03 (a) (i) |
| WARD(S) AFFECTED: | ALL | |

1.0 Recommendations

- 1.1 That the Committee considers the current position regarding the impact of Universal Credit and Council Tax recovery and provides feedback to the Finance and Management Committee to inform policy and service improvement.

2.0 Purpose of Report

- 2.1 As part of the Committee's Work Programme for 2020/21, the report provides a briefing on the impact of Universal Credit and the recovery of Council Tax in the current Covid 19 pandemic.

3.0 Detail

UNIVERSAL CREDIT

Background

- 3.1 The final phase of Universal Credit (UC) for working age claimants was implemented in November 2018. This applied to all new benefit claims or change of circumstances.
- 3.2 Existing claimants who are still receiving legacy benefits and tax credits (including Housing Benefit -**see note below**) are being transferred over to UC on a phased basis. Due to Covid 19, this has been slower than planned.
- 3.3 The Government currently anticipate that UC will apply to all benefit claimants of working age by September 2024. There are currently no plans to transfer people of pensionable age to UC.

(Legacy Benefits and Tax Credits include: Income Support, Job Seekers Allowance, Employment Support Allowance, Child Tax Credit, Working Tax Credit and Housing Benefit)

Latest Data

- 3.4 According to UC statistics published by the Government on 2 March 2021, there were approximately 5,455 households claiming UC in South Derbyshire as at November 2020. This equates to approximately 11% of all households in the District.
- 3.5 The Government estimate that there are a further 4,265 households still subject to legacy benefits and tax credits, who are still to transfer to UC. Therefore, on current data, 56% of households in the District have transferred. This is slightly below the East Midlands average of 57% and the UK average of 59%.
- 3.6 Between April 2018 and December 2020, the number of people claiming Housing Benefit from the Council has reduced from just over 4,000 to 2,700, as claimants have transferred to UC. Of the remaining 2,700, approximately 60% are currently of working age and potentially subject to UC at some stage.

UC Payments

- 3.7 Housing Benefit for Council Tenants is paid direct to the Council's rent account. For private/housing association tenants however, Housing Benefit can be paid either direct to the landlord (for vulnerable people, or those in arrears) or direct to the tenant. This helps to ensure that landlords receive the rent payments they are due.
- 3.8 UC however is paid direct to the person in all circumstances, and it then becomes the person's responsibility to pay their rent directly to their landlord, regardless of their circumstances.
- 3.9 Where a tenant has accrued rent arrears to the value of two month's rent or more, a landlord can request a managed payment or rent arrears deduction from UC. This is subject to a maximum rate of 20% of a tenant's UC standard amount.

Housing Tenants

- 3.10 The Council currently has just over 800 tenants in receipt of Universal Credit, which is approximately 25% of all tenancies.
- 3.11 Current rent arrears as at February 2021 stood at approximately £490,000. This has increased from £225,000 in the last two years due mainly to the impact of UC. The increase has also been affected in the last year by furlough and the general employment situation arising from Covid-19. This is after allowing for the Hardship Fund and the additional UC support provided by the Government.
- 3.12 The Council continues to work with other agencies to support council and private tenants regarding UC. This includes the following initiatives.
- *"Money Sorted"*, a scheme run in partnership with D2N2, and Citizen's Advice aims to assist residents in managing their money through budgeting support and strategies.
 - *"Towards Work"*, a scheme run in partnership with D2N2, and Derby College aims to bring residents closer to the labour market by breaking down barriers.
 - *"Opportunity & Change"*, a scheme run in partnership with D2N2, and Women's Work aims to assist female residents to break down multiple and complex barriers to bring them into education, employment or training.

- “*Direct Help & Advice*”, a scheme managed by Derby Law Centre, helps residents regarding notices, evictions and disrepair claims, etc.

RECOVERY OF COUNCIL TAX

- 3.13 In April 2020, the Council implemented a temporary suspension of recovery of new and existing Council Tax debt and Benefits overpayments in a bid to support financially vulnerable members of the community. This followed the introduction of the first lockdown in March 2020 and the suspension mirrored the approach taken by most Councils across the country.
- 3.14 The suspension also allowed time for the Council Tax Hardship Fund (provided by the Government) to be implemented, which helped to reduce the Council Tax bills of working age residents who claim Council Tax support through the Local Council Tax Reduction Scheme (CTRS) by up to £300 in 2020/2021.

Formal Recovery

- 3.15 The local courts that support recovery action were suspended in April 2020 and only reopened on 1 March 2021. With the current lockdown and gradual easing of restrictions, court dates are being limited for the foreseeable future which will limit formal recovery on new debts in 2020/21.
- 3.16 This is because formal recovery starts a statutory timeframe, which ultimately results in court action to create a liability order if a person does not pay. Because the courts are not in place to support any new cases it has not been feasible to begin any formal recovery on new debt.
- 3.17 As regards to debt/liability orders that existed before the lockdown was put in place, the Council has restarted formal debt collection activity through its enforcement agents and by putting in place Attachments of Earnings/Benefits. This work began in October 2020.

Soft Recovery

- 3.18 As the Council is unable to take formal recovery action on new debt, soft recovery has been used to encourage those who have not yet paid, or who have fallen behind with payments, to make some form of payment.
- 3.19 This involves sending payment reminders and helpful information to residents who are behind on their instalments. The soft recovery process does not trigger the usual recovery actions if payment is not made within seven working days (i.e. final reminders and summonses).
- 3.20 When people have contacted the Council in relation to the soft recovery letters, the Customer Services team has encouraged them to pay what they can and put in place new arrangements to reprofile their monthly instalments over the remainder of the financial year. Residents have also been encouraged to apply for Local Council Tax Support (LCTS) where appropriate to benefit from reduced bills through the Hardship Fund.

- 3.21 With larger debts, the Revenues team has adopted a more personal touch and contacted residents to offer to help them address the issue of their outstanding debts, rather than just sending a letter.
- 3.22 This approach has proven to be very successful in collecting outstanding debts and preventing debts from progressing to the enforcement or write-off stage and has received positive feedback from customers receiving the debt collection contact.
- 3.23 Since June 2020, this approach has collected debt which would have remained in arrears, with some debts paid off in full, and others settled through instalment arrangements.
- 3.24 During the pandemic, the Customer Services team have received daily contact with residents seeking support. Besides promoting the soft recovery process, the Team also signpost other financial support to people who are struggling to pay, including the Council Tax Reduction Scheme and the Hardship Fund, which can further reduce the amount of debt the Council has to collect.
- 3.25 Whilst following up debts, the Council remains fair and considerate to people who are facing financial difficulties and works closely with them to find an equitable solution.
- 3.26 The debt recovery activity will continue to be closely monitored in line with the health of the local and national economy, as well as any new COVID-19 measures that may be implemented in future.
- 3.27 Where necessary further relaxation of activity may take place under delegated powers. Any relaxation is reported to the Finance & Management Committee.

Enforcement Agents

- 3.28 The Council uses two enforcement agencies for Council Tax debts. Debt is passed to an enforcement agency after the Council has exhausted all attempts to collect the outstanding sums, including sending reminder letters, offering alternative ways to pay, sending summons, and taking out a liability order through the courts.
- 3.29 The Council and its enforcement agencies understand that financial difficulties affect people for many different reasons. Operating under a National Code of Conduct, the agencies adopt an ethical approach to enforcement, always mindful of how they interact with the residents, particularly those who may be vulnerable.
- 3.30 Agents are subject to regular training and have to behave in a sensitive and considerate manner, adhering to a pre-determined process.

Collection Rates

- 3.31 As at February 2021, the Council had collected just over 95% of Council Tax due for 2021/22, which is only 1% below where collection would be expected to be at this time of the year.

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 None directly, although the provision of Benefits and Council Tax support helps to support the most vulnerable people.

Risk Impact

5.4 None.

6.0 Community Impact

Consultation

6.1 None.

Equality and Diversity Impact

6.2 There is perhaps a risk that certain groups with protected characteristics under Equalities Legislation could suffer discrimination. For example, there is evidence to suggest that potentially more vulnerable people may experience difficulty in making payments.

6.3 However, the Council recognise this particular issue by supporting people as much as possible and sign-posting tenants and residents to the network of support available in the local community.

Social Value Impact

6.4 None directly.

Environmental Sustainability

6.5 None.

7.0 Background Papers

7.1 None.