**Understanding the Drivers Behind Council Tax Debt**

**Briefing Paper on Research from Citizens Advice Scotland**

**May 2022**

*Scotland’s Citizens Advice Network empowers people in every corner of Scotland through our local bureaux (CAB) and national services by providing free, confidential, and independent advice. We use people’s real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.*

1. **Introduction**

Council tax debt is the single most common debt type for Scotland’s Citizens Advice Network: a persistent trend over the last decade. In 2021/22, the network provided 18,752 pieces of advice on council tax arrears; accounting for 16% of all debt advice. Advice relating to council tax arrears has significantly increased by 22% since pre-pandemic levels in 2019/20.

Citizens Advice Scotland (CAS) wanted to understand the reasons why council tax debt persists in being our top debt issue by examining the drivers behind council tax debt so we commissioned qualitative research[[1]](#footnote-1) and also conducted a survey of the public. This paper outlines our findings, recommendations and solutions.

1. **Main Findings**

There are four drivers that, when combined, can contribute to a greater propensity for people to fall into council tax arrears:

1. Low income, often accompanied by other debts.
2. Prioritisation of expenditure that is essential to daily living – food, heating, shelter – that carry a clear tangible consequence if these costs can’t be met.
3. Lack of awareness of the harsher debt collection practices of being in arrears in terms of the speed of enforcement compared to other types of arrears such as loans or credit cards.
4. Local authority debt collection processes missing potential opportunities to enable repayment of arrears to be made prior to final enforcement of the debt.
5. **Key Recommendations**

We are calling on decision-makers at national and local level to:

* reflect on these findings and recognise the drivers that can be at play as to why some people fall into council tax arrears and to take steps to adapt processes that helps mitigate negative outcomes for those affected by these drivers.
* recognise that council tax debt is caused by low incomes and people de-prioritising paying council tax in favour of meeting other essential priority living costs.
* acknowledge that falling behind in council tax does not lead to a tangible loss of a product or a service as other arrears may do such as heating or housing, and that this plays a role people’s minds when determining what is or isn’t essential priority expenditure.
* recognise that there can be a lack of awareness of the harsher debt collection practices of being in arrears.
* place more focus on preventing people from falling into council tax debt rather than pursuing them for debt repayment with council tax.
* make changes to council tax payment and arrears processes to make it easier to move a person in debt, or at risk of debt, to a position of payment.
* to implement the recommendations of good practice contained in the Improvement Service led report Collaborative Council Tax Collection Guide.
1. **Key findings – further information & potential solutions**

Drivers behind council tax debt are a combination of the following:

**4.1 Low incomes, often accompanied by other debts**

The reasons people fall into council tax debt are, more often than not, due to low income whether that is persistent or sudden and the cost of living crisis has only intensified this. 67% of responders in our YouGov survey[[2]](#footnote-2) cited the rise in general household costs as one of the reasons they struggle to pay bills on time.

Other research from CAS on debt and living standards[[3]](#footnote-3) found that higher costs for essential products and services means that more people (1 in 2) have a negative disposable income (NDI). This leaves nothing left over to pay off debt. The proportion of NDI clients with council tax debt has increased from 49% in 2020/21 to 55% in 2021/22.

Of those interviewed in our council tax research, many clients’ incomes fall just outwith the threshold for council tax reduction. Whilst others who did receive a reduction still fell into debt as the discounted amount was not substantial enough.

Proposed solutions:

* Make council tax more affordable for those on low incomes and offer greater flexibility around making repayments outside of the current financial year.
* Low income households should be eligible for greater support, with a 50% council tax reduction, or at best, exemption.
* Raise the eligibility threshold for council tax reduction with an annual inflationary review.
* Greater awareness of the range of council tax reductions, discounts and exemptions that are available and the routes to access these.
* Take measures to proactively award council tax relief to those who are eligible where the relevant data is held or easily accessible.

**4.2 Prioritisation of expenditure that is essential to daily living – food, heating, shelter – that carry a clear tangible loss if these costs can’t be met**

If you’re on a low income and facing a range of costs and perhaps subject to multiple debts, daily living essentials will understandably come first. When in survival mode, the main concern is to ensure you have food, shelter, and heating. In our YouGov survey, responders prioritised bills as: 1) Housing costs 2) Gas/Electricity 3) Credit/Store card 4) Council Tax 5) Unsecured loan 6) Catalogue/Mail order.

Thereby, council tax debt repayments are not considered a priority because there is no sense of loss from not paying nor is there a sense of impending financial consequence.

Our research found another factor at play here. There is no material detriment to the taxpayer from falling into council tax arrears if a payment is missed, bins will continue to be collected and street lighting will still turn on. In comparison, essential daily living costs such as food, housing, and energy provide a tangible, immediate benefit and a similar tangible loss if these costs can’t be met, and our research shows this dynamic can play a part in the decision-making of those on low incomes when prioritising expenditure on essential living costs.

Moreover, our research found a lack of awareness of what council tax actually paid for and what services were provided in return. Very few CAB clients interviewed had a comprehensive knowledge of council tax. 12% of YouGov responders think council tax pays for the running of GP practices whereas 10% couldn’t name any of the services that council tax payments contribute to. Many thought their council was responsible for water and sewerage as their bills are collected as part of council tax.

Proposed solutions:

* Clearer communication from councils about what council tax pays for, what happens if payment is missed but also regular signposting to online, telephone and in person advice from council and third sector providers.
* Ensure new council tenants are aware of the importance of paying council tax with information on where to find advice and support.

**4.3 A lack of understanding of the debt enforcement consequences of being in arrears**

There’s a misperception that the council’s approach to debt recovery is more lenient in comparison to other enforcement processes such as credit card debt. 61% of the public think the council will merely send letters until payment is made. However, in reality, the gap between a missed payment and contact from the Sheriff Officer is only a letter or two which usually spans as little as one month and enforcement action such as bank or wages arrestments follows very soon after.

Council tax debt needs to be viewed as a priority debt because collection of that debt is quicker and harsher than that for commercial debt.

Proposed Solutions:

* Clearer communication from councils about what happens if payment is missed and the importance of it becoming a priority payment in council taxpayers minds.

**4.4 Local authority debt recovery processes missing potential moments to help with arrear payments prior to final enforcement of the debt**

Many find the council tax debt recovery process too aggressive, quick, and lacking in empathy. 50% of people surveyed don’t think it would make any difference to the outcome if they were proactive in contacting the council. Others resist opening mail as they find it triggers anxiety. Clients report a lack of a ‘human touch’ regarding council communication and opportunities for support, with no personal contact (in-person or phone call) after a payment has been missed.

Proposed Solutions:

* Local councils to consider taking a more person-centred approach offering where possible in-person/phone contact.
* Reduce the speed at which the case is passed to the Sheriff Officer.
* Make the engagement with the Sheriff Officer an opportunity to make a repayment schedule or an opportunity to return to speaking directly with council staff to make such a repayment schedule.
* There should be no point of no return. Where someone in arrears is willing to engage in repayment it should not matter where they are in the arrears journey, they should always have a route back to someone who can facilitate a repayment plan.
* Implement the recommendations of good practice contained in the Improvement Service led report Collaborative Council Tax Collection Guide to develop inter-organisational support and strong referral links between key players such as councils, Citizens Advice Bureaux, Sheriff Officers so that help, support and person-centred repayment routes can be developed for those in arrears.

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1. Understanding the Drivers Behind the Accrual of Council Tax Arrears, Social Market Research, February 2023. [↑](#footnote-ref-1)
2. On behalf of CAS, YouGov conducted an online survey between 2nd - 6th March 2023. Total sample size was 1007 adults. The figures have been weighted and are representative of all GB adults (aged 18+). [↑](#footnote-ref-2)
3. An Analysis of Living Standards in Complex Debt Cases, CAS, Nov 2022. <https://www.cas.org.uk/publications/analysis-living-standards-complex-debt-cases> [↑](#footnote-ref-3)