



Lifting the tax burden: Supporting people with mental health problems with council tax

Introduction

While an end to the Covid-19 pandemic still appears to be some way off, most of the restrictions that transformed the UK's economy and our everyday lives have now been removed. There are concerns, however, that a return to normality could bring with it serious consequences for household budgets. With the furlough scheme closed and the £20 Universal Credit uplift removed - and against a backdrop of rising prices in key markets, particularly energy - many people will face difficulties keeping up with essential bills and payments in the months ahead.

For millions of families, council tax - the charge local authorities use to fund key services - is a major component of those bills and payments. While the pattern of increases varies across the UK¹, average amounts charged in England rose by 4.4% this year, equivalent to an extra £81 annually.² Council tax is already placing pressure on household finances, with more than 7 million people in Britain reporting they are worried about being able to pay their council tax.³ And looking ahead, further increases seem inevitable, October's Budget provided some additional funding for councils but local authority leaders suggested rises of 3% - the maximum allowed without a referendum of residents - would still be required to pay for services.⁴

Such rises are likely to be particularly hard to manage for people with mental health problems, who have lower average incomes and less savings.⁵ While discounts and support do exist, people with mental health problems can often struggle to access help that is available for those struggling financially. This is all the more worrying given that, when people fall behind on payments, the consequences can be

severe. It remains a criminal offence not to pay council tax and is punishable by imprisonment.⁶ Those who miss payments can lose the right to pay by instalments and may be liable to pay the full amount immediately. For people struggling with their mental health, the impact of these actions - or even the threat of them - can be disastrous.

With less than six months to go till the next round of increases, it's vital that local authorities act now to ensure that council tax rises don't have damaging impacts on people with mental health problems, and that those who need and seek support can get it. We recognise that councils are in a difficult position, and are striving to provide services for their communities without adequate funding. This lack of funding from central government means that it can be harder for local councils to provide adequate financial support for council tax. In order to help councils understand these issues and prioritise their actions, we surveyed 204 members of the Money and Mental Health Research Community, a group of thousands of people with lived experience of mental health problems. The survey, carried out from 16-21 April 2021, just after the last wave of rises, explores:

- how the pandemic has affected people's ability to keep up with council tax payments
- awareness of council tax discounts and their accessibility
- communications from local authorities, particularly about debts
- the experience of disclosing a mental health problem to a local authority.

Alongside this, we also draw on findings from a landmark new survey of 5,000 people with mental health problems, conducted in Summer 2021.⁷

How has the pandemic impacted people's ability to pay council tax?

The pandemic presented an array of new financial challenges for many people with mental health problems. Two in five people affected by mental health problems reported a drop in income due to the pandemic, through reduced hours, furlough or redundancy.⁸ Consequently, three in ten (29%) people with mental health problems have cut back on essentials, such as bills, food and medicine, in order to make ends meet.⁹

For many people, this difficulty has flowed through into being unable to keep up with council tax payments. Our new nationally-representative polling finds that one in six (18%) people with mental health problems have fallen behind on their council tax payments in the previous 12 months.¹⁰ That is three times the proportion among those without mental health problems (6%) and based on previous polling suggests that as many as 2.8 million people with a mental health problem may have fallen behind on their council tax.

Our survey of our Research Community suggests that, beyond those who have actually missed payments, keeping up with council tax was also a

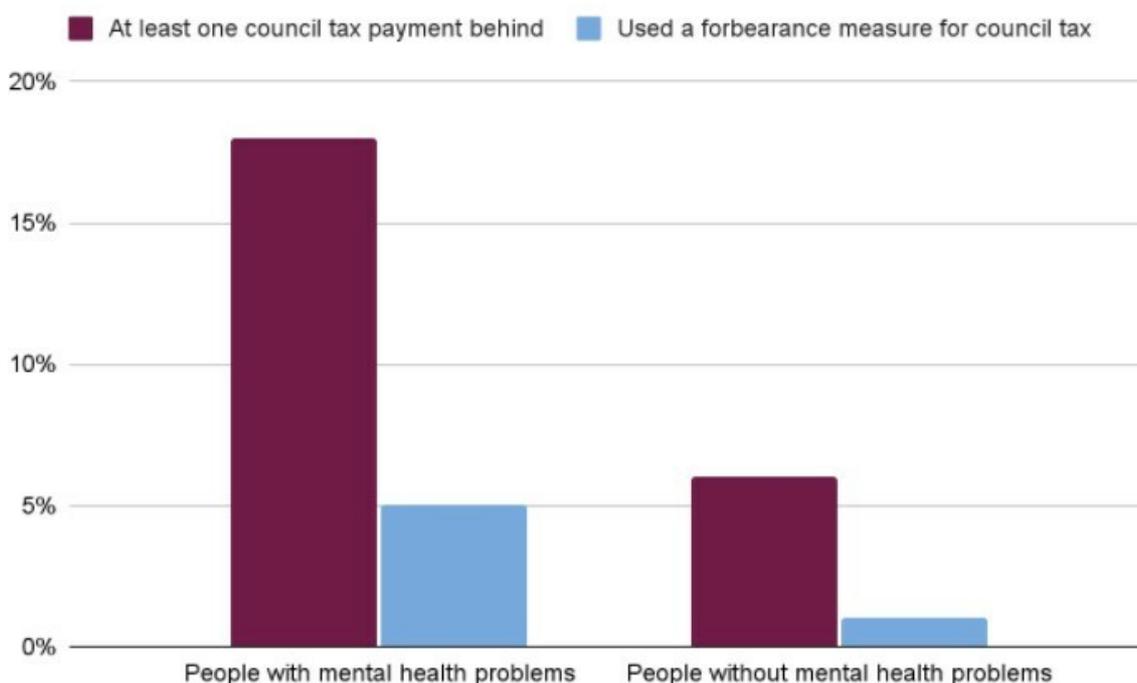
challenge for many others. Almost four out of ten (39%) people surveyed said that the pandemic had made it harder for them to pay their council tax.¹¹

"I lost all my sources of income overnight. I didn't know if I would get furlough for about two months. I couldn't pay anything, let alone council tax." Expert by experience

Awareness of and access to discounts

Some councils introduced forbearance measures to support people who were struggling financially during the pandemic. However, for people with mental health problems, the uptake of these measures fell far short of the levels of need. Despite 18% of people with mental health problems having fallen behind, only 5% had used a council tax payment holiday.¹² As Figure 1 shows, while people with mental health problems were more likely to have sought assistance, the outright gap between those who missed a payment and those who used forbearance was larger than among those without mental health problems. The localised control of council tax may have contributed to this lower uptake, as council tax payment holidays were not universally introduced and created a 'postcode lottery' in terms of help and support.

Figure 1: Proportion of people behind on council tax payments and who used forbearance



Source: Money and Mental Health analysis of Opinium online survey of 6,001 people, 25 June-22

Beyond pandemic-specific support, local authorities offer several council tax discounts. Some are provided by all councils, such as discounts for those who live alone and for people with severe mental health problems.¹³ Others are discretionary and vary by local authority. As well as patchy provision of discounts, the language used can be confusing, alienating and outdated. The “severely mentally impaired discount” is a universal discount available to people experiencing severe mental health problems, although this is not immediately obvious from the name. Despite eligibility requirements being universal, not all councils describe the criteria in similar ways. This makes it difficult for people to understand if they are eligible. For example, Haringey council gives two examples of qualifying criteria as being diagnosed with dementia or Alzheimer's disease.¹⁴ In contrast, Sutton council determines eligibility based on benefits entitlement.¹⁵

Of people surveyed who had applied for a discount, one in three (35%) found applying difficult.¹⁶ Eight out of ten participants (82%) reported their local council did not provide information on available discounts in their standard communications.¹⁷ Additionally, a lack of consistent communication means that it isn't always clear how people can apply for a discount, query a decision made on their council tax or find out if they are eligible for support with their payments. Over a third (34%)¹⁸ of respondents were not aware of the discounts available, and 43% did not know how to query or appeal a council tax decision.¹⁹

“The new income relief on council tax for low incomes was very poorly advertised and I only found out by chance e.g. in very small print at the back of the bill.” Expert by experience

Information about discounts can be hard to find as many councils primarily provide information about available discounts online. Our Research Community told us that navigating local councils' websites can be tricky, and this can present a further challenge for those who are digitally excluded.

“I did not know what I was doing or if the forms were right. I have completed two forms instead of one because it wasn't clear from the council website which was what” Expert by experience

“Any communication with [the] Council is convoluted and difficult, this process of application was no different” Expert by experience

There are practical steps that councils can take to help raise awareness of such support and to make it easier to understand who is entitled to it and how to apply for it.

Recommendations:

- Councils should simplify the process of applying for discounts and deductions to make them more accessible, including by signposting in letters and online.
- Local councils should revise the language they use to explain the criteria for severe mental illness related discounts to ensure the requirements for eligibility are transparent, easy to understand and non-stigmatising.
- The Westminster and devolved governments should create an eligibility checker for the core council tax reductions available universally in each nation.
- Central government should increase funding to local authorities in order to provide improved financial support to residents struggling with council tax payments.

Communication methods and preferences

Beyond the information and accessibility of discounts, how local councils communicate more generally can play a vital role in shaping people's engagement with services and collection of debts owed. This is particularly important for people with mental health problems, where the cognitive and psychological effects of mental health problems can impact people's ability to manage their finances. Six in ten survey participants (61%) said that their mental health problem had an impact on their ability to understand communications about their council tax.²⁰

Our previous research found that four in ten people with mental health problems experienced 'admin anxiety' when dealing with essential services.²¹ This can impact people's ability to engage with their creditors and manage their finances. Therefore, to engage and support people with mental health problems, it is crucial to understand their communication preferences and communicate with them via these channels.

When communications about council tax aren't accessible, people with mental health problems are unfairly left to deal with the damage caused. Arrears can quickly build, and the cognitive and psychological effects of many mental health problems can make it difficult to reach out to creditors via channels less suited to your needs. This can result in further financial stress and exacerbate mental health problems.

Despite these risks, only one in six (17%) participants were proactively asked about their communication preferences by their local council.²² Common symptoms of mental health problems mean that it can be harder to request communication via a specific channel voluntarily. This means that relying on people to freely notify councils of their preferred communication channel is insufficient.

Local councils have a duty to notify residents about council tax increases. However, our research found that communication about recent council tax increases were not always accessible to people experiencing mental health problems. While the majority of participants were contacted about an increase in their council tax between February and April 2021, over a quarter (26%) said they had not been contacted by the local authority.²³

Of those notified of any increase, eight out of ten (79%) were contacted by letter,²⁴ despite only six in ten (63%)²⁵ reporting this as their preferred communication method. In contrast, just over one in ten (13%) were contacted via email, yet this was the preferred communication channel for over a third (35%) of respondents.²⁶

Positively, where councils do ask about customers' communication needs, respondents told us that councils respected this, remained consistent, and respected their communication preferences for all correspondence.

Recommendations:

- Local councils should ensure they proactively ask about people's communication needs and respect people's preferences.
- Local authorities should learn best practices from other councils who have successfully navigated this and have

processes to share information and follow communication preferences.²⁷ For example, the London Borough of Hammersmith and Fulham have introduced an 'ethical debt collection' service. As a result, they have increased their council tax collection rate whilst also stopping the use of bailiffs by working with families before they build up unmanageable amounts of debt.²⁸

- Councils should communicate any price changes through a person's preferred communication channel well in advance to ensure that households have the opportunity to consider this in budgeting decisions and find support if necessary.

Disclosing mental health problems and financial difficulties and the impact of mental health problems on payments

Participants reported a range of issues with paying council tax that also related to their mental health problems. Some reported budgeting issues due to fluctuations in their mental health problems - changes in mental health problems can impact cognition, meaning that budgeting can be more challenging. Others found the process daunting due to interaction with their local council.

Just over half (56%) of respondents who had struggled to keep up with their payments had told their council about their financial difficulties.²⁹ While it is encouraging to see that some people were met with a positive response - such as negotiating a repayment agreement or having an empathetic member of staff discuss their options - others had more negative encounters. Of those who chose not to disclose their difficulties, participants told us about a range of unhelpful or distressing experiences with the council, including a lack of clear information and threats of bailiff action and court summons.

"[I] was initially told I'd be taken to court. Then a summons letter arrived (including further charges onto my bill), finally they agreed on a repayment plan which I had to lie about my income to get, just so that no further action was taken. I borrowed money from whoever and wherever I could just to make the payments" Expert by experience

Our new national polling found that only one in seven (14%) people with mental health problems have ever told their council about their mental health problem.³⁰ Participants explained to us that information sharing between council departments was inconsistent, forcing some people to have to disclose their mental health problems repeatedly. Those who did so noted the distress caused by repeatedly telling different professionals across the council.

Even after disclosure, our polling found that more than one in three (37%) were not offered any additional services or support, such as more time to repay any debts or speak to a specialist.³¹ When disclosing mental health problems to councils, participants received mixed results. Some received an empathetic response, and others reported that it didn't affect their options. This uncertainty about how their disclosure will be accepted and responded to may be a significant driver of the low disclosure rate.

Recommendations:

- Local councils should improve communication methods to allow for easier disclosure of mental health problems, and ensure staff are trained in how to respond to such disclosures.
- Local councils should always offer repayment plans before they take legal action. In addition, people recognised as vulnerable by their local council (including those with mental health problems) should be exempt from bailiff action, as recommended by the Money Advice Trust.

Local councils have faced immense financial pressure recently, facing the rising cost of the pandemic whilst simultaneously having their budgets slashed. However, effective support for people with mental health problems should be a priority and improved communication and practices can be more cost-effective long term.³² By providing vital support early on, engagement with residents experiencing mental health problems can be improved, reducing pressure on other council services and reducing long-term bailiff fees.

Footnotes

¹ In 2021, all councils in Scotland froze their tax rates. Council tax does not exist in Northern Ireland, with households instead charged rates.

² Ministry for Leveling Up, Housing and Communities. Council tax levels set by local authorities: England 2021-22. March 2021.

³ Money Advice Trust. Council tax after Covid. July 2021.

⁴ <https://www.local.gov.uk/about/news/councils-respond-2021-spending-review-and-autumn-budget>.

⁵ Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020..

⁶ Citizens Advice. Paying Council Tax. 2021..

⁷ Bond N and D'Arcy C. Forthcoming. Money and Mental Health Policy Institute. 2021.

⁸ Bond N and D'Arcy C. Income in Crisis. Money and Mental Health Policy Institute. 2020.

⁹ Ibid.

¹⁰ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021. The figure of 2.8 million people is based on an analysis of recent surveys for Money and Mental Health by Opinium, which found that on average 38.5% of respondents reported they had ever experienced a mental health problem. Applying that proportion to the population aged 18-65 - the age range of respondents to the survey of 5,001 people - from ONS, Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020. ¹

¹¹ Money and Mental Health Survey of 204 people. Base for this question: 196.

¹² Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

¹³ Gov.UK. Applying for a council tax discount. 2021.

¹⁴ Ibid.

¹⁵ Haringey Council. Council Tax Discounts. 2021.

¹⁶ Money and Mental Health survey of 204 people. Base for this question: 92.

¹⁷ Money and Mental Health survey of 204 people. Base for this question: 168.

¹⁸ Money and Mental Health survey of 204 people. Base for this question: 184.

¹⁹ Ibid.

²⁰ Money and Mental Health Survey of 204 people. Base for this question: 188

²¹ Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

²² Money and Mental Health Survey of 204 people. Base for this question: 164.

²³ Money and Mental Health Survey of 204 people. Base for this question: 195.

²⁴ Money and Mental Health Survey of 204 people. Base for this question: 156.

²⁵ Money and Mental Health Survey of 204 people. Base for this question: 199.

²⁶ Ibid.

²⁷ Department for Levelling Up, Housing and Communities.

Guidance: Council tax collection: best practice guidance for local authorities. August 2021.

²⁸ London Borough of Hammersmith and Fulham. Efficiency through fairness: we've improved council tax collections, without using bailiffs. 2019.

²⁹ Money and Mental Health survey of 204 people. Base for this question: 61.

³⁰ Online survey of 5,001 people with experience of mental health problems and 1,000 people without mental health problems. Conducted by Opinium, 25 June - 22 July 2021.

³¹ Ibid.

³² Clifford J, Ward K, Coram R and Ross C. Transforming Lives: a review of the social impact of debt advice for UK individuals and families evaluated using SROI. StepChange. 2014.