

# HOW HAVE LOW-INCOME FAMILIES BEEN AFFECTED BY CHANGES TO COUNCIL TAX SUPPORT?

April 2014 marks the first anniversary of the introduction of Council Tax Support (CTS) – the successor to Council Tax Benefit (CTB) for working-age adults in England. This summary shows how the system is changing and its impact on families receiving CTS in England.

## Key points

- Council Tax Support (CTS) gives low-income working-age families a discount on the amount of council tax they have to pay. So if CTS is cut, the result is a tax increase for those families affected.
- The overall levels of CTS available will be lower in 2014/15 than 2013/14. Only 45 councils (out of 326) will continue to provide the levels of support available under CTB, 13 fewer than last year. 244 councils now require all households to pay at least some council tax regardless of income (a minimum payment), 15 more than last year.
- In 2014/15 2.34 million low-income families will pay on average £149 more in council tax per year than they would have under CTB. Around 70,000 families will have their support cut for the first time and a further 580,000 families will see a second successive change in their entitlement.
- Of the 2.34 million affected families, 1.5 million were in poverty (measured after housing costs) and 1.8 million were workless families. The uniform exemption from paying council tax for low-income households no longer exists.
- Levels of arrears and bailiff referrals linked to the non-payment of council tax increased following the introduction of CTS while the collection rate fell. This is true across England, but the largest increases in arrears were in those areas that introduced a minimum payment.
- Councils are now required to hold a referendum if they want to increase overall levels of council tax above the maximum set by the Secretary of State. But no such protection is offered to those low-income families affected by CTS who face possible cuts in support each year.

## The research

By Sabrina Bushe, Peter Kenway and Hannah Aldridge  
of New Policy Institute

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# BACKGROUND

April 2014 marks the first anniversary of the introduction of Council Tax Support (CTS).

CTS gives low-income families a discount on the amount of council tax they have to pay. Unlike its nationally-devised predecessor, entitlement to CTS is determined by the local authority with an initial cut in central government funding of 10%. Each year the local authority decides how CTS should work in their area and how to make up the funding shortfall.

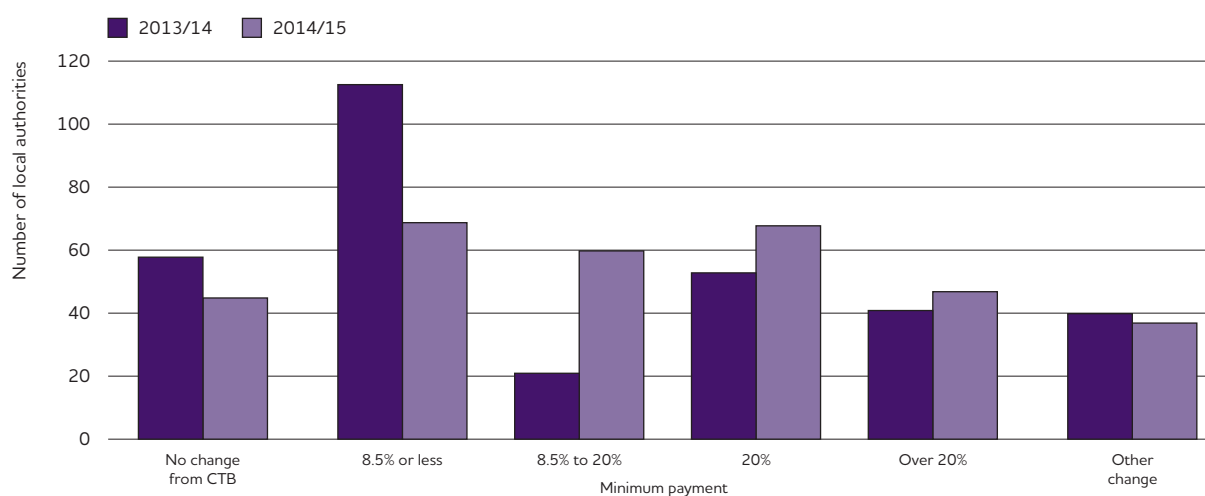
## Changes in 2014/15

In 2014/15, only 45 councils (out of 326) will continue to provide the levels of support available under CTB (for most recipients this means not having to pay any council tax). This is 13 fewer than in 2013/14. Of the 89 councils to change their CTS schemes in 2014/15, 79 reduced the levels of support for recipients, four increased support and six councils made only small changes.

The most common change that local authorities made from the former CTB system was to introduce a “minimum payment” which requires everyone to pay at least some council tax regardless of income. In 2014/15, 244 schemes included a minimum payment, 15 more than in 2013/14. Figure 1 shows how the size of this minimum payment varies by area; in 69 councils it is 8.5% or less of council tax liability and 47 councils it is over 20%.

But the overall level of these minimum payments has also increased – of the 229 councils that already had a minimum payment in place in 2013/14, 56 have increased it. As figure 1 shows, there has been a large drop in the number of councils with smaller minimum payments levels (of 8.5% or less); from 113 in 2013/14 to 69 in 2014/15. (A minimum payment of 8.5% was common in 2013/14 because grant funding was available to councils that did not withdraw support from claimants by more than 8.5%.)

**Figure 1: CTS schemes in 2013/14 and 2014/15**



Along with a minimum payment, councils can make other changes to CTS. For example, 35 councils changed how they calculate a family’s ability to pay council tax, typically by counting child benefit or child maintenance as income, meaning that lone parents see an above average cut; 74 councils introduced a band cap increasing the cut to families in larger homes. As a result the impact on families varies even within the same scheme depending on individual circumstances.

## The impact on claimants

In 2014/15, 2.34 million low-income families will pay on average £149 more in council tax per year than they did under CTB. Figure 2 shows that for 1.69 million families this cut in support is the same as in 2013/14. But for 70,000 families their support will be cut for the first time with an average increase in council tax of £114 per year. There are a further 580,000 families whose entitlement has been changed for two consecutive years, paying on average £97 more per year in council tax in 2013/14 and around £151 in 2014/15.

Of the 2.83 million working-age CTS recipients in England, around 500,000 continue to be entitled to the same level of support as two years ago.

**Figure 2: Summary of councils changes and their impact on claimants**

		Change in 2013/14 only	Change in 2014/15 only	Change in both years
Number of councils		192	13	76
Number of claimants		1,690,000	70,000	580,000
Average council tax increase compared to CTB	2013/14	£150	£0	£97
	2014/15	£150	£114	£151

Source: NPI analysis of FOIs

The average cut in support (of £149 per year) is £10 greater than in 2013/14, though this hides a lot of variation. Around 650,000 families will be paying less than £100 extra in council tax in 2014/15 than they did under CTB, while 490,000 will be paying £200 or more.

## Council Tax Support in practice

Of the 2.34 million affected families, 1.5 million were in poverty (measured after housing costs). Around 1.8 million affected families were in workless families whose sole income was from means-tested benefits. In April 2013/14, the value of these benefits fell in real terms so those families seeing a cut in CTS now have to spend a share of this reduced income on council tax. The CTS system means that low-income families need to reduce spending elsewhere to pay a tax they previously did not have to pay.

Councils that cut CTS have to collect council tax from households previously deemed too poor to pay anything. At the time of writing there was limited data on the practical implementation of CTS in 2013/14. Data from Freedom of Information requests shows that levels of bailiff referrals and arrears for non-payment of council tax have increased and that the collection rate has slightly decreased. This is true regardless of the kind of CTS scheme in operation. However, councils that introduced a minimum payment in 2013/14 were more likely to have reported an increase in the level of arrears.

## Conclusion

The Localism Act requires councils to hold a referendum if they want to increase overall levels of council tax above the maximum set by the Secretary of State (2% in 2013 and 2014). But this protection from excessive rises in council tax does not apply to those 2.83 million families claiming CTS. As figure 2 shows 580,000 families have seen their council tax increase by on average 55% in 2014/15 through changes to CTS.

The Act has delivered power, certainty and consistency to all but low-income households. Limiting increases in the overall levels of council tax gives local authorities a greater incentive to cut CTS entitlement instead as a way to increase revenue. Based on the changes between 2013/14 and 2014/15 the overwhelming trend is to cut support further. So not only do low-income families have to navigate an inconsistent system (one where council tax liability varies by area and individual circumstance) but also one where that support could be further cut year on year.

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## About this project

This study updates information collected from each of the 326 lower-tier English local authorities on their CTS schemes for 2013/14. The information was updated using Freedom of Information (FOI) requests. The figures published in March 2013 reflecting the system in April 2013 have also been revised as new data has become available.

FOIs were submitted to councils for data on arrears and bailiff referrals relating to the non-payment of council tax and the council tax collection rate in the first two quarters of 2012/13 and 2014/15. Data availability varied for each council, but the data collected did indicate clear trends referred to in this report.

Councils in England are required to retain the support offered under CTB for pensioners. In Scotland and Wales, central government funding for CTS has been cut by 10% but entitlement to CTS has not been changed.

## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

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Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
Tel: 01904 615905

email: [publications@jrf.org.uk](mailto:publications@jrf.org.uk)  
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