

# Review of Council Tax Reduction schemes in England in 2021/22

Prepared by Carla Ayrton, Josh Holden and Peter Kenway from



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## About this report

The data used in this analysis about local Council Tax Reduction/Support (CTR) schemes was collected by NPI and entitledto in early 2021. Each local authority's website was reviewed to find out if there was a change to their CTR scheme between 2020/21 and 2021/22. If so, the details of the scheme are updated in our rolling dataset.

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## Introduction

Council Tax Benefit (CTB), the national system of support for Council Tax bills, was localised and replaced in England by what is now known as Council Tax Reduction or Support (referred to as CTR) in April 2013. Such schemes reduce, sometimes to zero, the amount of Council Tax which a household has to pay.

While Scotland and Wales each brought in nationwide schemes to replace CTB, English councils were left to devise their own schemes for working-age residents. The full protection for pensioners provided by CTB remained a requirement of each local scheme. Councils were advised to devise schemes that encouraged work and which protected the vulnerable; however, defining 'vulnerable' was at the discretion of each local authority.

In its first year, 2013-14, central government funding for CTR was cut by 10% compared with what had been paid to councils the year before for CTB. From April 2014, funding for CTR was incorporated into the yearly central government grant that each local authority received, meaning it was no longer separately identifiable.

During this period, Universal Credit (UC) has also been introduced and is now operational in every local authority area in England. Around 60% of working-age benefit recipients in England now claim UC rather than any one of the six 'legacy' benefits that UC replaced.<sup>1</sup> This has caused difficulties for local authorities in the administration of CTR. For example, local authorities receive a high number of 'change of circumstance' notifications from the UC system which causes CTR to be recalculated frequently. This is one reason why some local authorities have introduced income banded CTR schemes. Under such schemes, small changes in income (from benefits, earnings or other) do not usually change the amount of CTR.<sup>2</sup>

The data used in this analysis about local CTR schemes was collected by NPI and entitledto in early 2021. Each local authority's website was reviewed to find out if there was a change to their CTR scheme between 2020/21 and 2021/22. If so, the details of the scheme are updated in our rolling dataset.

## Key changes to CTR schemes

There are three key changes that have been made since 2013/14 which mean that low-income residents who had a full reduction in their Council Tax liability under CTB must now pay at least some part of it. By 'Council Tax liability', we mean the amount of Council Tax

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<sup>1</sup> House of Commons Library (2021) Constituency data: Universal Credit rollout as of November 2020.

<sup>2</sup> New Policy Institute (2019) An Independent Review of the Department of Finance's Rate Rebate Scheme. Northern Ireland Department of Finance: Land and Property Services.

that a household would normally pay. This is mainly determined by: the level of Council Tax set by the local authority; the Council Tax band that the home is in (one of A to H); and whether there is only one adult in the household (in which case a 25% discount normally applies). The three key changes are as follows:

- The introduction of a minimum payment which refers to the proportion of Council Tax liability that all working-age residents are required to pay, regardless of income. If no minimum payment exists, claimants may be entitled to 'full' CTR, equal to the value of their Council tax liability, leaving them with nothing to pay.
- The introduction of a band cap which involves limiting the amount of CTR for those in higher banded properties so that it does not exceed the amount provided to those in lower value properties.
- The introduction of income banded schemes. These schemes assess the income of claimants and, depending on the income band a claimant falls in, they have to pay a certain proportion of their Council Tax bill. What is new about such schemes is not that the amount of CTR can change with income – older CTR schemes and CTB contained this feature too – but that changes in income which nevertheless remain in the same income band do not trigger a change in CTR.

### Changes to CTR schemes in April 2021/22

There are now only 44 out of 309 English local authorities who have neither introduced a minimum payment, a band cap or a banded scheme. These schemes are those that are closest to CTB.

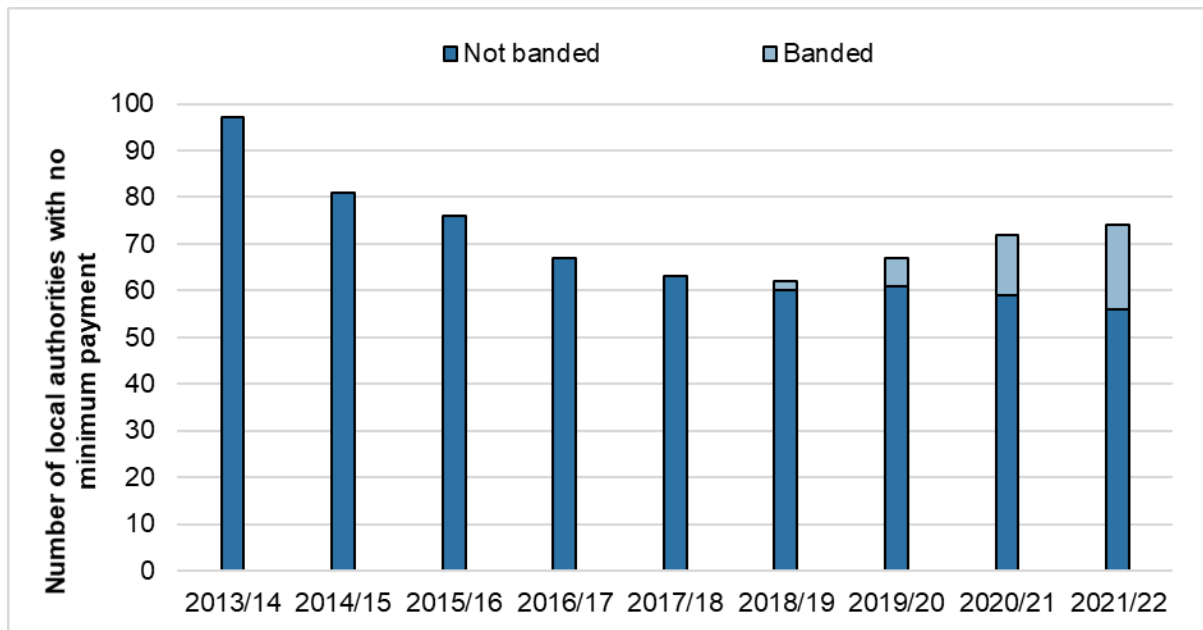
In 2021/22 there were relatively few changes to CTR schemes. Eleven local authorities changed their minimum payment or band cap. Four schemes became harsher in some way, but five lowered their minimum payment. Three of these introduced an income banded scheme and removed the minimum payment for claimants in the first of these bands.

Nine income banded schemes were introduced in 2021/22 meaning that 23% (72 out of 309) of local authorities are currently operating income banded schemes. Nine of these are for UC claimants only while the rest are for all CTR claimants.

13 local authorities who have introduced a banded scheme have increased their minimum payment compared with 2017/18 – the year before most of the banded schemes were introduced. 22 local authorities who have introduced a banded scheme have reduced (or removed completely) their minimum payment compared with 2017/18. This means some local authorities are using the move to a banded scheme to increase the support for those in the first band – those with the lowest incomes.

Figure 1 shows the number of local authorities with no minimum payment in each year since 2013/14. From a low point in 2018/19 when only 62 had no minimum payment, this number rose to 74 in 2021/22. Compared with 2017/18, as the large majority of banded schemes have been introduced since then, 46 local authorities have reduced their minimum payments or removed them completely. 22 of these are local authorities who have introduced a banded scheme. 30 councils have increased their minimum payment since 2017/18 and 13 of these are now banded schemes.

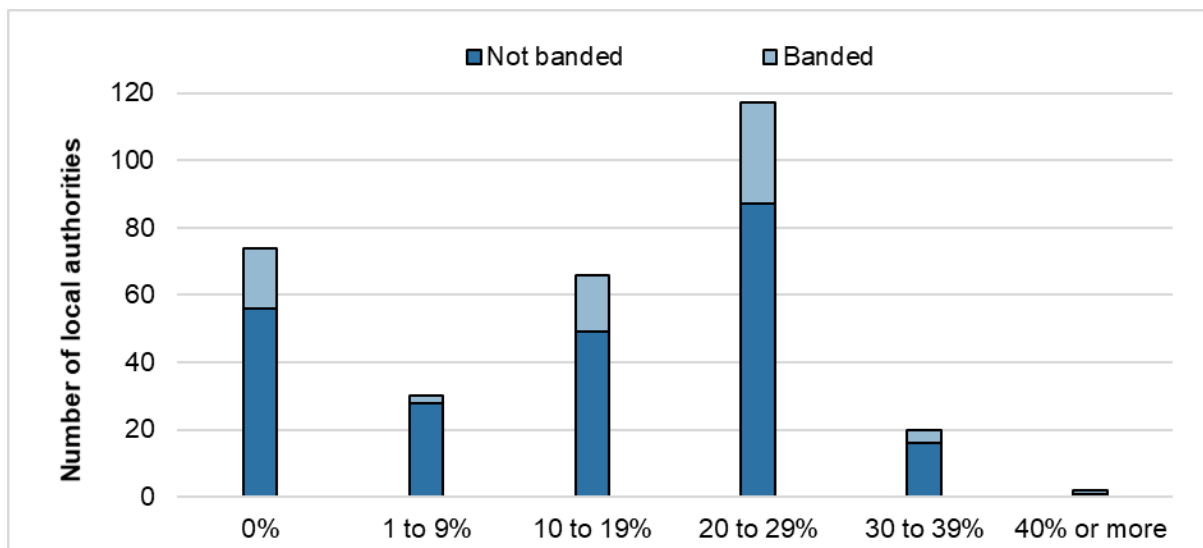
Figure 1. Local authorities without a minimum payment



Source: NPI Analysis of entitledto CTR scheme data, 2021/22

Figure 2 counts the number of local authorities by the size of their minimum payment. Although the number of schemes with no minimum payment (0%) has increased recently, the most common minimum payment group remains (as in April 2018), 20 to 29%, with 117 councils in this group. There are 22 councils with a minimum payment of 30% or more.

Figure 2. Local authority minimum payments by group in 2021/22



Source: NPI Analysis of entitledto CTR scheme data, 2021/22

As these figures show, since localisation there has been a great deal of variation across England. In some local authorities, low-income households continue to be exempt from paying Council Tax whilst in other local authorities they are required to pay up to 50% of their bill. Table 1 shows the average minimum Council Tax payments for couples and singles claiming CTR for local authorities with a 20%, 25% and 30% minimum payment and the three local authorities with the highest minimum payments – Redbridge, Mid Sussex and North Lincolnshire.

Table 1. Local authorities, their minimum payments and the minimum amount of Council Tax CTR claimants must pay

Local Authority (LA)	Minimum payment (MP)	Minimum annual payment – Couple
Average of LAs with 20% MP	20%	£309
Average of LAs with 25% MP	25%	£385
Average of LAs with 30% MP	30%	£436
Redbridge	38%	£621 <sup>3</sup>
Mid Sussex	40%	£695
North Lincolnshire	50%	£679

Source: NPI Analysis of entitledto CTR scheme data 2021/22

### Income banded schemes

As noted above there are now an increasing number of banded schemes in operation. There was already a large amount of variation between local authorities and the introduction of banded schemes has increased this. Schemes have different bands, take into account different types of income and different levels of support for each band.

There is usually a trade-off to be made between simplicity and fairness. Some banded schemes are very simple. For example, St Albans’ scheme assigns claimants to one of six bands depending on their net earnings from work. Claimants then have to pay a set monthly contribution – nothing in the first band, £35 per week in the second band, and up to £225 per week in the highest band. These weekly payments are not related to family size or the amount of Council Tax due. Other local authorities have tried to take into account family circumstances. Kensington and Chelsea use family size and the Council Tax Band of the home as well as income (not just earnings) to assign claimants to one of more than 800 bands to calculate their CTR.

Although the majority of income banded schemes were only introduced in the last four years, some councils have already made changes to their schemes. Some have introduced more bands, for different family types, after realising that certain family types, for example lone parents, were being disadvantaged. Others have simplified their schemes by reducing the number of bands. One local authority who previously had a banded scheme for UC

<sup>3</sup> This is the average payment distributed across the Council Tax bands for each local authority. For Redbridge, this average falls between band C and D, for Mid Sussex this is between bands B and C and for North Lincolnshire between bands A and B.

claimants only is now applying this to all claimants. More councils with UC only schemes may follow this example as the UC caseload grows.

Many banded schemes have placed claimants on 'relevant' benefits (usually income related) and maximum UC in the lowest band, sometimes offering them full support. There are also a number of councils who have a separate band for those on disability benefits or for lone parents, which offers a higher level of support than for other family types. Income banded schemes can be a way of increasing protection for those with the lowest incomes (or some other characteristic) while making those with some other income – such as earnings – pay a higher proportion of their Council Tax bill.

## Impact on claimants

### Claimant numbers

The previous section reviewed the key changes to CTR schemes in 2021/22. In this section, we estimate the impact these changes have had on claimants. We start by looking at the total number of claimants and then at the impacts the changing minimum payments and band caps have had.

Figure 3 shows that the total number of CTR claimants fell year-by-year between 2013/14 and 2019/20. There are two reasons for this. The first is that fewer people were eligible to claim CTR, due to a combination of rising employment and schemes becoming less generous. The second is that the take-up rate may be falling. This is the number of actual benefit recipients compared with the number who would be receiving it if everyone took up their entitlement. The last data published on CTB take-up was in 2012 using 2009/10 data.<sup>4</sup>

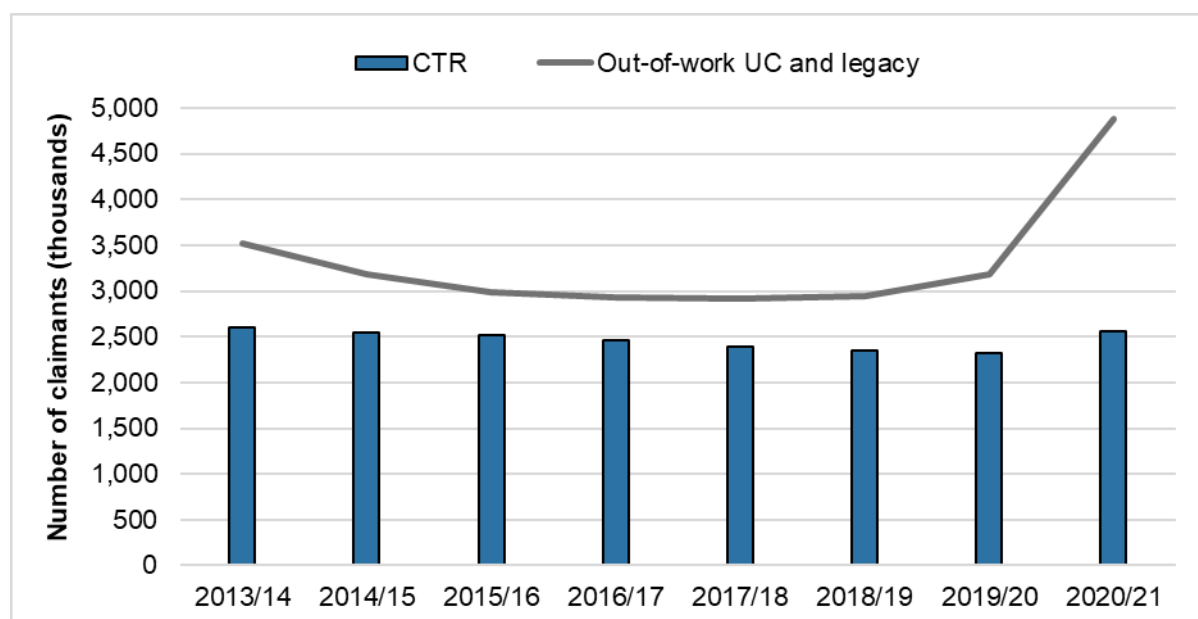
Since localisation and the move to CTR, no statistics or information on take-up have been published, but there are reasons to think the falling number of CTR claimants is at least in part to do with falling take-up. For one, it is harder to publicise 309 individual schemes and residents may be less aware of each CTR scheme than they were of CTB. More importantly, under CTB claimants filled in one form for Housing Benefit (HB) and CTB combined, meaning most people eligible for HB would automatically claim CTB if they were eligible. Now that HB is being replaced by UC, there is a separate form for CTR and fewer people are aware of it.

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<sup>4</sup> Department for Work and Pensions (2012) Income Related Benefits: Estimates of Take-Up in 2009-10. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/222914/tkup\\_first\\_release\\_0910.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/222914/tkup_first_release_0910.pdf)



Figure 2. Number of CTR, Universal Credit and legacy benefit claimants over time



Source: MHCLG, Live tables on local government finance – Local Council Tax support (three quarter average in 2020/21) and DWP, Stat-Xplore, Benefit Combination (Out-of-Work) by Quarter, May for the year shown.

There is data to support this suggestion. In 2009/10, social and private rented tenants (who may be entitled to HB) had fairly high take-up rates for CTB (87 to 94% and 77 to 89%, respectively) whereas owner-occupiers who were not eligible to claim HB had low take-up rates of 36 to 41%.<sup>5</sup> A recent review of CTR in Wales found that a quarter of claimants thought an application for CTR was included as part of UC while 29% of UC claimants did not know if they received CTR (compared with 14% of legacy benefit respondents).<sup>6</sup>

As figure 3 shows, the steady fall in the number of CTR claimants stopped in 2020/21, with the number of claimants increasing for the first time since 2013/14 because of the Covid-19 pandemic. Figure 3 also shows the number of claimants of out-of-work benefits (UC and the predecessor Jobseeker’s Allowance combined). Since most people who are entitled to out-of-work benefits would also be entitled to CTR, it is striking the number of CTR claimants has not risen in line with out-of-work claimants. Between 2019/20 and 2020/21, the number of out-of-work claimants rose by 53% whereas the number of CTR claimants rose by just 10%. This disparity suggests that there are a large number of out-of-work UC claimants (who accounted for all of the increase) not claiming CTR even though they may be eligible.

<sup>5</sup> Department for Work and Pensions (2012) [Income Related Benefits: Estimates of Take-Up in 2009-10](#).

<sup>6</sup> Aston, J *et al.* (2020). Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales. Cardiff: Welsh Government, GSR report number 47/2020.

## Reduced CTR

While the previous section discussed the falling number of claimants and take-up rate, this section analyses the impact of the changes for those who are still eligible and are currently claiming CTR.

All the tables and figures in this section have a smaller number of CTR claimants than figure 3 above which shows the *total* number of CTR claimants in 2021. This is because around 460,000 claimants live in areas without a minimum payment, a band cap or income banded scheme so they do not pay significantly more than they would have done under CTB. These claimants are not included in the analysis because we calculate average increases based on those claimants who now have to pay more Council Tax than under CTB.

Table 2 shows the number of claimants who are estimated to have reduced CTR compared with what they would have had under CTB. This means that they now have to make a contribution towards their Council Tax bill – an increase compared with CTB.

**Table 2. Total number of claimants with reduced CTR and estimated average increase in payment due as a result.**

Region	Total number of claimants	Average annual increase in Council Tax paid under CTR (compared with CTB)	Number of local authorities in region	Number of local authorities with no minimum payment
North East	150,000	£174	12	1
North West	350,000	£218	39	12
Yorkshire and Humberside	260,000	£269	21	4
East Midlands	150,000	£217	35	7
West Midlands	270,000	£245	30	5
East of England	190,000	£260	45	6
Inner London	150,000	£208	14	6
Outer London	160,000	£407	19	6
South East	240,000	£327	64	18
South West	170,000	£290	30	9
England	2,100,000	£260	309	74

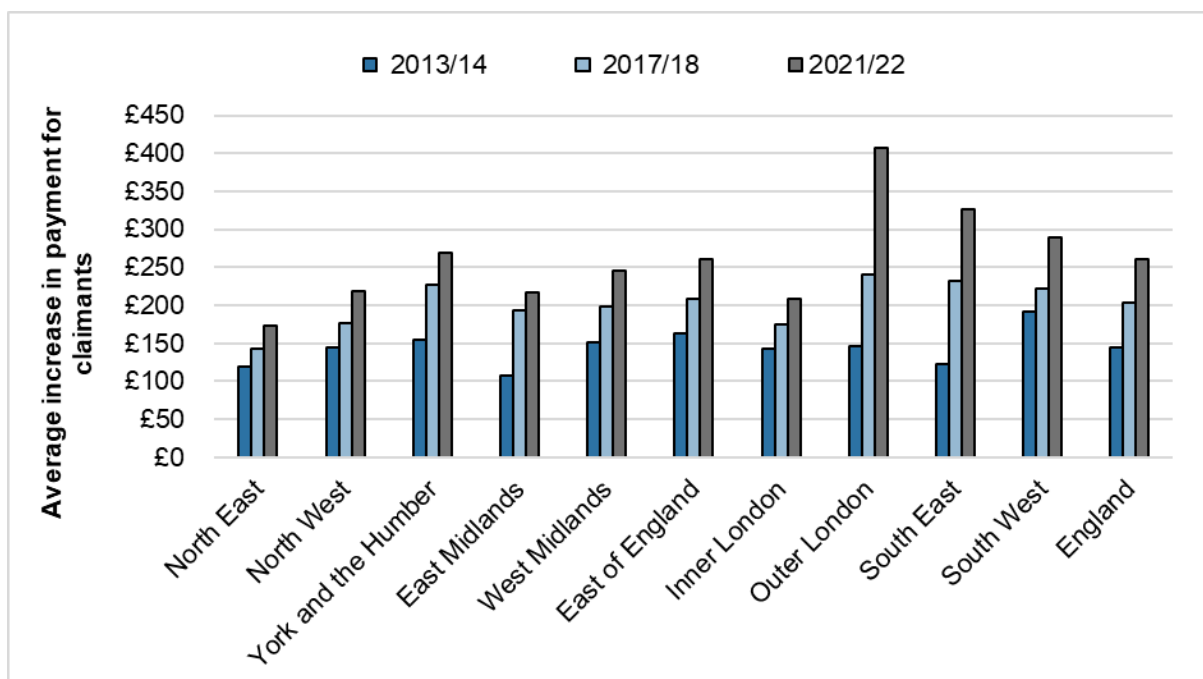
Source: NPI Analysis of entitledto CTR scheme data 2021/22

The table shows the number of claimants affected in each region and the average increase in each case, relative to what they would have had to pay if CTB were still in place (which in most cases was nothing). Regional variation is explained both by changing schemes, variations in the number of properties in each band, and variation in the level of Council Tax across local authorities. While the variation in the average cannot be explained by schemes alone, it nevertheless shows that someone receiving, for example, Jobseeker’s Allowance in some areas would have to pay more Council Tax than in others.

The average increase in payment is greatest in Outer London at £407 and least in the North East at £174. Outer London has quite a few councils with no minimum payment or band cap, where claimants pay a similar amount to CTB and so are not included in table 2. However, where a minimum payment has been introduced, it tends to be quite high (starting at 15% with a band E cap and going up to 38%).

Figure 4 shows the same information as the second column of table 2, alongside comparable figures for 2013/14 and 2017/18. The key point is that although the figures for Outer London, the South East and the South West were all above average in 2017/18, they now exceed the average by a much larger amount.

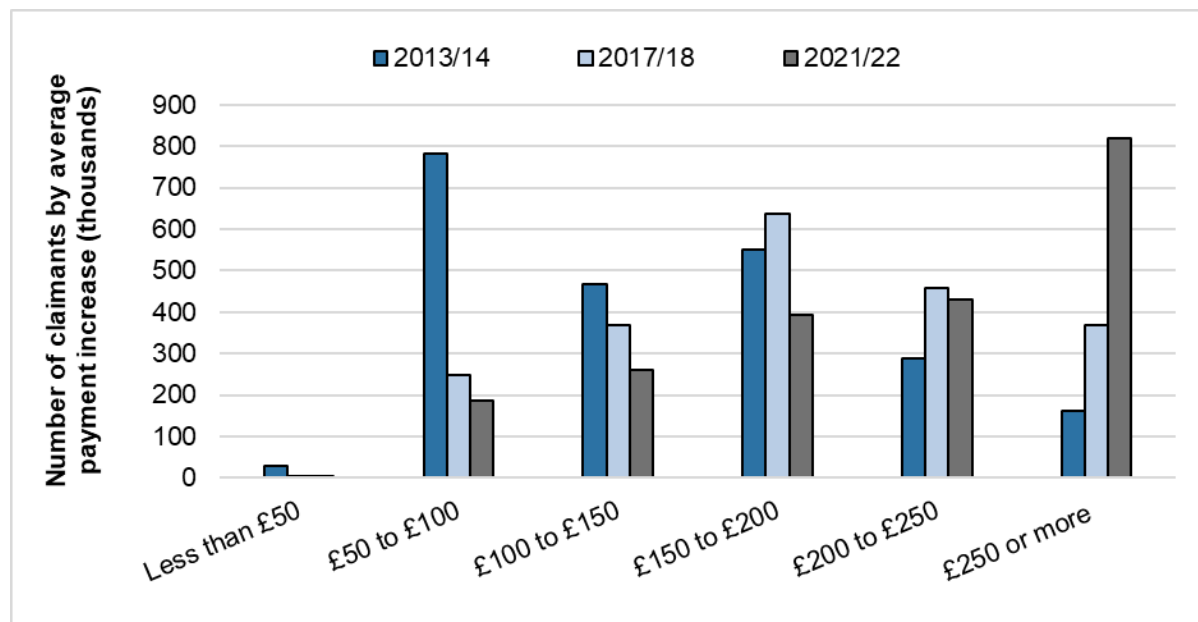
Figure 3. Average estimated increase in payment, by region



Source: NPI Analysis of NPI CTR data 2013/14, 2017/18 and entitledto CTR scheme data 2021/22

Figure 5, which shows the number of CTR claimants by the additional Council Tax paid each year compared to CTB, shows how much variation there now is in the extra that people must pay, compared with CTB. The average for 2021/22 is £260.

Figure 4. Average estimated increase in payment, by amount



Source: NPI Analysis of NPI CTR data 2013/14, 2017/18 and entitledto CTR scheme data 2021/22

This figure shows the most frequent financial impact on CTR claimants in 2013/14 compared with CTB a year earlier (indicated by the tallest bar on the graph) was an extra £50 to £100 per year to pay in Council Tax. By 2017/18 the most frequent impact (again compared with the last year of CTB) was an extra £150 to £200. In 2021/22 by far the most frequent impact was an extra £250 or more. Each year, the number of claimants paying smaller amounts in additional Council Tax has fallen and the number paying larger amounts has risen.

## Conclusion

Despite some positive changes to CTR schemes in recent years, with some local authorities going back to full support or increasing the support available for claimants with the lowest incomes or those deemed ‘vulnerable’, for many the average amount to be paid is rising, and the support falling. This is by no means geographically evenly spread - there is huge variation between schemes and schemas are unstable, with details continuing to change year to year even though we are now in the 9<sup>th</sup> year. This means Council Tax for those with the lowest incomes is a postcode lottery and in a very clear sense, an arbitrary taxation.

## Are you thinking of changing your CTR scheme?

Whatever changes you are considering to your existing CTR scheme entitledto can help you in one of three ways:

**Modelling your data:** By combining our calculation engine with your LA data we can estimate the cost/distributional effect of reform options, be that adopting another LA's scheme or a new design, for both your authority and residents.

**Evaluating alternatives:** Assisting you in setting up policy options for alternative schemes using examples of either existing or new scheme details.

**Monitoring the market:** Providing details of what other LAs are doing so you can see which policy options, if any, may be appropriate for your council.

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[hello@entitledto.co.uk](mailto:hello@entitledto.co.uk)

[www.entitledto.co.uk/organisations](http://www.entitledto.co.uk/organisations)

0161 980 6276



[info@npi.org.uk](mailto:info@npi.org.uk)

[www.npi.org.uk](http://www.npi.org.uk)

020 7250 8354