

Council tax support schemes in 2017-18: what are the key issues ahead of councils' decisions?

Adam Tinson, January 2017

The CTS process

Since 2013-14, when Council Tax Benefit was devolved to local authorities along with a funding cut, each local authority in England has had to devise a Council Tax Support scheme for working-age residents each year (pensioners are protected from changes). This is a substantial responsibility, with some 4.5 million people receiving a reduction in their council tax liability. Each year, these schemes are decided by 30th January, and come into effect on 1st April.

The CTS story so far

Since 2013-14, the New Policy Institute, with funding from the Joseph Rowntree Foundation, has monitored the decisions of the 326 English local authorities on council tax support.¹ There are considerable changes from year to year: in April 2016, 66 councils changed their schemes, with 42 of those requiring all residents to pay some of their council tax, regardless of income (known as a 'minimum payment'). In total in 2016, 2.2 million families have been adversely affected by the localisation of council tax, losing an average of £169 compared with the system prior to 2013-14. This figure of £169 hides a lot of variation, with roughly equal numbers in 2016 losing less than £100 and losing more than £250 relative to the pre-2013 scheme. These are large amounts of money for the low income families receiving CTS, especially as these families are often affected by other changes, such as the 12% of affected CTS recipients also affected by the 'bedroom tax' or under-occupation penalty.²

As well as often being harsh on recipients of Council Tax Support, there are consequences for local authorities as well. Councils have to balance their own financial solvency (after facing unprecedented funding cuts) and preventing claimants from facing hardship. In 2015-16, there was £850m in council tax not collected, including £280m in court and administration costs. These figures are £150m and £70m higher than the year before localisation. Arrears have risen most in those authorities with the most punitive CTS schemes (those with minimum payments above 20%), and have fallen the most in those authorities that retained full protection³. The lesson from this is that those local authorities who attempt to save

¹ Barry Born, T., 2016. *Key Changes to Council Tax Support in 2016/17*.

² Aldridge, H., 2015. *The overlaps between the Bedroom tax and cuts in council tax support*.

³ Ayrton, C., 2016. *Have cuts to Council Tax Support in England led to rising council tax arrears?*

money through less generous CTS schemes will lose at least some of it to higher arrears and collection costs.

2017-18 is the fifth year of localised Council Tax Support. This briefing examines the key issues ahead of the decisions to be made by councils across England based on a non-comprehensive review of consultation documents.

Key issues in 2017-18

Minimum payments – will they continue their rise?

The main change between the national Council Tax Benefit scheme and the local Council Tax Support scheme is that now working-age claimants may have to pay some of their council tax liability, regardless of income. This has driven the financial losses to claimants. In 2013-14, 229 councils introduced a minimum payment, at an average level of 13%. By 2016-17, this has risen to 259 councils, with an average level of 17%.

Is this likely to continue? Some of the councils with the highest payments have consulted on further increases – for example, Kettering, with the highest minimum payment in England at 45%, may be increasing it up to 68%. Northampton, with a 29% payment, has consulted on increases to 37% or 45%. Waltham Forest, with a 24% minimum payment, is consulting on an increase to 40%. Several of these councils are now specifying these consultations on the basis of making the schemes fully-funded. In choosing to do this, rather than look at alternative means of raising revenue, councils are placing the burden of the reduced funding solely on their poorest residents.

Several councils that did not require a minimum payment have been consulting on changing this: Tower Hamlets to 20%, Solihull to 15% and Bolton to 12.5%. Adur has proposed a flat minimum payment of £3.70 per week for CTS claimants, though others with no minimum payment such as Bristol, Cambridge, Trafford, and Stockport are maintaining this protection.

Local authorities that are making their schemes more generous are slightly more difficult to find: Camden and Bath and North East Somerset are two examples, with Camden returning to a full level of support. Camden council has indicated that at least part of its justification for returning to full support is through reducing the cost of administering a scheme that requires collecting small amounts of money from low-income claimants.

Keeping up with changes to other benefits

One complaint made by several councils was keeping up with sudden changes in government policy (such as the removal of Family Element for housing benefit). This

complaint is echoed in the Ollerenshaw review.⁴ Given many councils are opting for no changes for 2017-18, there is clearly no compulsion on authorities to replicate these changes – such as limiting backdating, removing the family premium for new claims, and restricting claims where the claimant has left the UK for longer than four weeks. However, given councils administer both housing benefit and council tax, there is some appeal to keeping these benefits, which are similar in calculation, in-line. Councils will not be administering these benefits for long, however, as Universal Credit comes in, making the alignment temporary.

Another such change is to mimic the treatment of self-employment income for Universal Credit in CTS calculations. Under Universal Credit, after the first year of trading, the self-employed are assumed to have earnings of at least 35 hours at the National Living Wage, even if actual earnings are below this. At least ten councils introduced this in April 2016, with more to do so in 2017. Given the growth of self-employment, and the decline in average self-employment incomes⁵, this may be one of the more substantial technical changes.

Whether the difficulty in understanding different rules for different benefits or the difficulties in administering them are significant or not, it is clear that changes to national benefit policy now filter through to CTS in an inconsistent manner. As these national changes are usually reductions in generosity, the passing

More radical changes

Most schemes, given the shortage of time councils had to devise them, are largely based on the national council tax benefit that existed prior to 2013-14. However, there is no legal requirement for this to be the case. Some councils are now experimenting with determining the amount of council tax support on the basis of income bands, such as Sutton and Bath and North East Somerset, with support gradually declining as income rises. This has the advantage of potentially greater income progressivity, and councils argue benefits for transparency to residents as well. However, the detail of the scheme is important: the CTB scheme on which most CTS schemes had many years of refinement through practice. Determining whether additional amounts of income for children are correct is important, as is ensuring incentives for work remain through disregards.

⁴ Ollerenshaw, E., 2016. *Three Years On: An independent review of Local Council Tax Support Schemes*.

⁵ Tinson, A., 2016. *Who are the self-employed?*

Questions to be considered when deciding schemes

This evaluation of scheme consultations, in addition to our body of research over the last four years, suggests a few key questions should be considered by decision makers and others when deciding on CTS schemes.

1. In setting these schemes, has sufficient regard been paid to the extent to which low-income residents are able to afford further increases in the amount of council tax they are required to pay?
2. Have the consequences of further reductions in generosity for their schemes been considered? Our research shows that harsher schemes are associated with higher increases in arrears and difficulty in collecting (from the council's perspective) small amounts of money from low income residents.
3. For councils considering more radical departures from the CTB scheme template, are there mechanisms in place to monitor the effects of these in terms of a) whether the amounts are appropriate and b) how it is interacting with other benefits and incentives?

Conclusions

Council tax support is entering its fifth year in operation. It appears that the localisation of council tax benefit is here to stay. The Ollerenshaw review proposed several changes to ease its operation for local authorities, but whether central government will take these up remains to be seen. But aside from the administrative difficulties of councils, each new wave of schemes has seen more burden placed on low income families. Worryingly, the ceiling for these increases does not yet appear to have been reached across England.

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