

# Key changes to council tax support in 2017/18

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## 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.
- 74 councils changed their schemes in April 2017, which is a slight increase compared to the 66 councils who changed their scheme in April 2016 and an increase from the 50 who changed their scheme in April 2015.
- There are now only 37 local authorities who have made no changes to their CTB schemes, and 277 out of 326 have cut the amount of CTS available to claimants by introducing a minimum payment or a band cap. The other 12 councils have made other changes such as removing the second adult rebate to their schemes.
- This has created a great deal of variation across England. In some local authorities low-income households continue to be exempt from paying Council Tax whilst in others they are required pay up to 45% of their bill.
- In the fifth year of local CTS, 2.0 million families have been adversely affected by the change from CTB. On average these families will have to pay £191 additional Council Tax in 2017/18 in comparison to what they would have paid under CTB
- The most common financial impact of CTS changes on claimants in 2017/18 was an additional £150 to £200 per year to pay in council tax than they would have under CTS. The number of CTS claimants paying £200 or more has increased to 825,000.

## Background

April 2017 will be the fifth year since Council Tax Benefit (CTB) a national system of support for council tax bills, was localised and replaced by Council Tax Support (CTS). Since CTB was replaced by CTS in April 2013 councils have been able to devise their own schemes for working-age residents, although full protection for pensioners is still a requirement of each local scheme. They have been advised to

devise schemes that encourage work and which protect the vulnerable, but defining the vulnerable is at the discretion of each local authority.

In the first year of CTS, 2013-14, the funding for CTS was cut by 10% when compared with the funding the councils had previously received for CTB. Now the funding for CTS has been incorporated into the yearly central government grant that each local authority receives which has been shrinking.

## Key changes to schemes in April 2017

74 councils changed their schemes in April 2017, which is a slight increase compared to the 66 councils who changed their scheme in April 2016 and an increase from the 50 who changed their scheme in April 2015. This number does not count councils that have made changes mirroring those made to national benefit changes, such as introducing a Minimum income floor (MIF) for the self-employed or removing the Family Premium for new claimants.

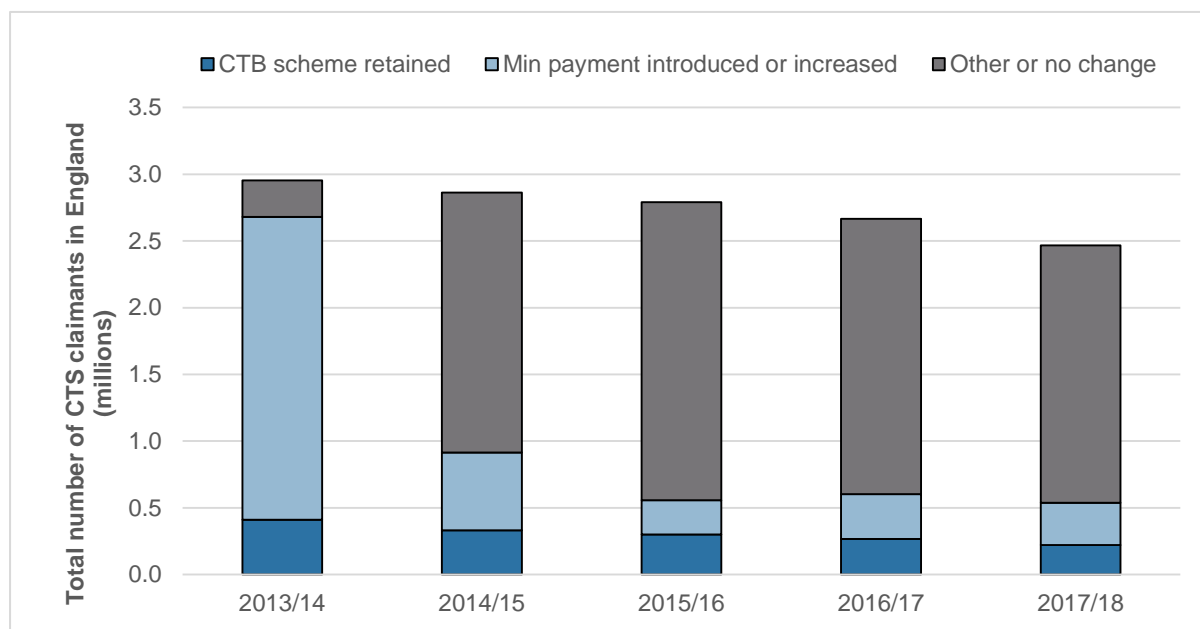
There are now only 37 local authorities who have made no change to their CTB schemes. 277 out of 326 councils have cut the amount of CTS available to claimants by introducing a minimum payment or a band cap. The other 12 councils have made other changes such as removing the second adult rebate to their schemes.

Of the councils that changed their scheme for 2017-18, 40 introduced a “minimum payment” or changed the level at which their minimum payment was set. A minimum payment refers to a proportion of council tax liability that all working-age residents are required to pay, regardless of income. Among these 40 councils, 33 increased an existing minimum payment, 5 introduced one for the first time, and 2 reduced an existing minimum payment. This has created 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 pay up to 45% of their bill.

Other changes include the introduction of a band cap which involves limiting the amount of CTS received in higher value properties to the amount provided to those in lower value properties. The most common band cap applied is D. In 2017/18, 15 councils introduced a band cap and two councils changed existing caps. 15 councils reduced the savings limit over which one is no longer eligible for CTS (the majority from £16,000 to £6,000 but a few to £10,000 or £8,000). 16 councils reduced or abolished the second adult rebate, which is a reduction in council tax for sharing a home with someone who is not eligible to pay full council tax.

## Impacts on claimants and trends since April 2013

Figure 1. Total Council Tax Support claimants and those affected each year by an increase or introduction of a “minimum payment”



Source: NPI analysis of Freedom of Information requests to the 326 local authorities in England

In the fifth year of local CTS, 2.0 million families have been adversely affected by the change from CTB. On average these families will have to pay £191 additional Council Tax in 2017/18 in comparison to what they would have paid under CTB. This is up from £145 in the first year of CTS, and up from £175 in 2016/17.<sup>1</sup>

Many councils have made their schemes harsher by raising the minimum payment or changing the band cap, but in 2017/18 part of the increase in the amount that families will have to pay is due to an increase in the overall council tax rates. Out of 326 local authorities 22 will keep council taxes as they are, one will decrease the rates and the remaining 303 will increase Council Tax rates. This is the first time since the end of CTB that there has been such a large and widespread increase in the amount of council tax that all residents will have to pay.

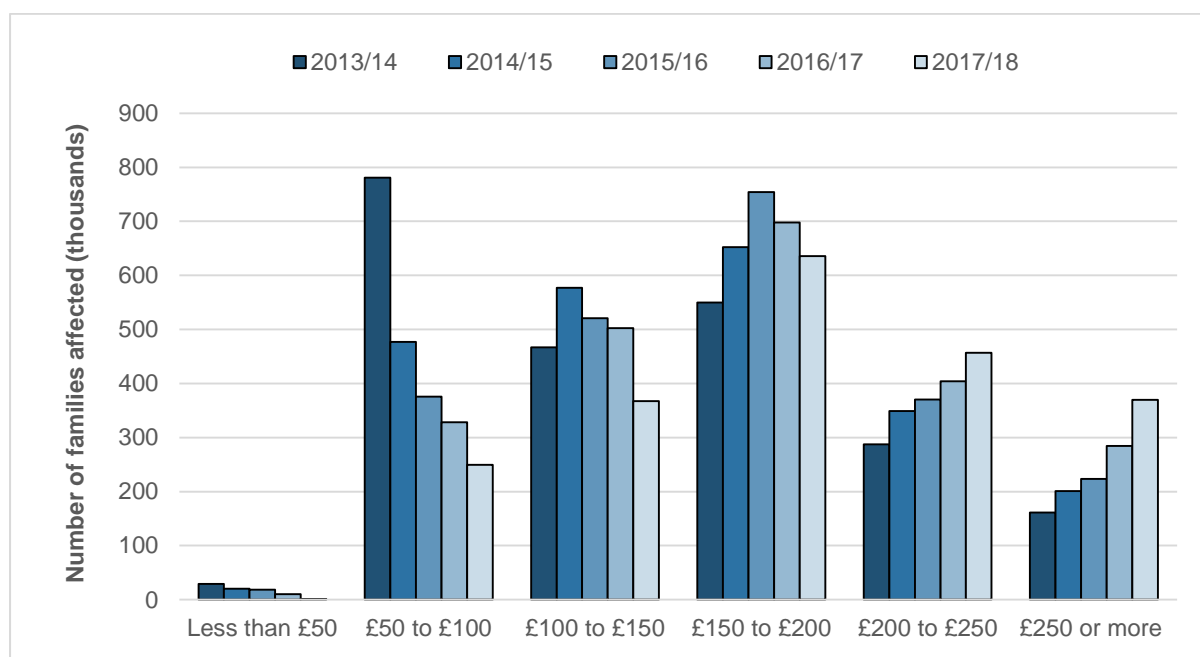
Figure 1 shows that the total number of families affected has fallen slightly, as the number claiming CTS overall has fallen. This is partly as a result of changing circumstances, such as falling unemployment. It is important to note that some of the changes that councils have made such as the introduction of a minimum CTS award, a reduction in the savings limit or making claimants in certain bands ineligible for CTS, will cause people who were previously claiming CTB to have no CTS at all. These changes have contributed to the falling number of CTS claimants and

<sup>1</sup> Note that these figures differ from estimates in previous years as the model used to produce them has been updated.

because they are not counted in the CTS claimant statistics their numbers and their average cut cannot be estimated and are excluded from the numbers above. This means the numbers affected are an underestimate.

Figure 1 shows that 320,000 low income families will see their council tax payments increase substantially because they live in one of the 38 local authorities where a minimum payment is being increased or introduced. 44,000 live in an area where a minimum payment will be introduced for the first time.

**Figure 2. Additional council tax paid, compared to what would have been the case under Council Tax Benefit**



Source: NPI analysis of Freedom of Information requests to the 326 local authorities in England

Local variations in schemes, as well as in council tax levels and the proportion in claimants in different council tax bands, means that the £191 average cut figure for 2017/18 hides a great deal of variation, as Figure 2 shows. The range has existed each year, but the higher average reflects a shift towards harsher schemes.

The most common financial impact of CTS changes on claimants in 2013/14 (indicated by the tallest bar in the graph) was an additional £50 to £100 per year to pay in council tax than they would have under CTS; in 2017/18 this will be £150 to £200. Although the total number of CTS claimants fell the number of claimants paying £200 or more has increased to 825,000 in 2017/18 from 690,000 in 2016/17.

## Conclusion

A large majority of councils have decided to raise their Council Tax for the year 2017/18. Councils are struggling to provide their statutory services whilst the funding

they receive from central government for these services continues to decrease. The funding for local CTS schemes has not been ring-fenced and is part of this decreasing pot of money. This means that councils may feel they have no choice but to pass on their funding cuts to the CTS scheme in comparison to the CTB scheme to their poorest residents rather than absorb them elsewhere in the budget. Claimants who have not seen an increase in their income or who have been affected by other cuts to the social security system will be forced to spend an increasing share of their reduced income on Council Tax.

As previous research shows,<sup>2</sup> there is a link between higher minimum payments and an increase in Council Tax arrears. As more councils move towards higher minimum payments, this experience suggests there may be an increase in arrears and admin and court costs for both claimants and local authorities. When considering schemes, councils should be mindful of this and of the cumulative negative impact that the CTS scheme may have on top of other policy changes that impact adversely on the poorest.

## About the project

The Council Tax Support Update project provides the latest information and analysis on the changes to Council Tax Support. It details the key features of each Council Tax Support scheme across England alongside an analysis of the impacts of the reform. The information in this report is gathered from local authorities and other official sources by the New Policy Institute (NPI) or is NPI's own analysis.

Information on individual Council Tax Support schemes was collected via a combination of Freedom of Information requests, communications with local authority staff, and from local authority websites. Our assessment of the impacts of the reform is derived from a model which draws upon both the data collected directly from local authorities and data from the Department of Communities and Local Government and the Department for Work and Pensions.

This project is funded by the [Joseph Rowntree Foundation](#) and the accompanying website which provides further analysis and more information about each scheme can be found at [www.counciltaxsupport.org](http://www.counciltaxsupport.org).

We would also like to acknowledge the helpful discussions and support we have received from Policy in Practice and Entitled To, as well as ongoing support from Chris Goulden at the Joseph Rowntree Foundation.

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<sup>2</sup> Ayrton, C. (2016) Have cuts to Council Tax Support in England led to rising council tax arrears? New Policy Institute.