

Key changes to Council Tax Support in April 2015

Context

The national system of Council Tax Benefit (CTB) was abolished in April 2013 and replaced with locally devised Council Tax Support (CTS). Now in its third year this summary shows how the system is changing and its impact on the working-age families receiving CTS in England.

Changes from April 2015

- In April 2015 50 councils are changing their CTS schemes, 30 of which are altering or introducing “minimum payments” for residents. These minimum payments mean that all working-age residents pay a share of their Council Tax liability regardless of income.
- 20 councils increased, 5 introduced and 5 decreased their “minimum payments” for 2015/16. 250,000 low income families will see their council tax payments increase substantially because they live in one of the 25 areas that are increasing or introducing the minimum payment. One of the councils reducing its minimum payment cited increasing Council Tax arrears a major concern.
- Other ways that councils reduced support in 2015/16 include: 3 increased the rate at which income is tapered; 5 reduced the maximum savings a family can have to be eligible; 5 reduced or removed the second adult rebate; 2 introduced a property band caps; 3 changed their means-test components to assume self-employed people earn at least the minimum wage.
- But some councils increased support in 2015/16: 1 council returned to the CTB rate at which income is tapered of 20 per cent; 1 returned to the CTB savings limit of £16,000; 1 removed an existing property band cap; 6 disregarded child maintenance allowance within their means-test; 5 introduced a hardship fund.

Overall trends since CTS replaced CTB

- In its third year 2.3 million low income families have been adversely affected by the change from CTB to CTS. On average they will have to pay £167 more Council Tax in 2015/16 than they did under the former CTB system, up from £160 last year and £145 in the first year of CTS.

- From April 2015, 250 councils require all residents to pay some Council Tax regardless of income, up from 229 in 2013/14. The range of these “minimum payments” is between 5 and 30 per cent of Council Tax liability.
- Compared to under the former CTB system, in 2015/16 590,000 families have to pay £200 more per year in Council Tax as a result of “minimum payments”, up from 450,000 in 2013/14.
- Minimum payment levels have increased year on year: 129 councils now require residents to pay at least 20 per cent of their liability, up from 115 last year and 95 in 2013/14.
- 42 councils have retained the all of the features of CTB in their areas. This number has fallen from 45 in 2014/15 and 58 in 2013/14.
- 163 councils have frozen their Council Tax in all of the last three years, but this includes 136 that cut CTS. In these areas alone 870,000 low income families now pay on average £160 per year more in council tax than under CTB.

The research was conducted by the New Policy Institute with funding from the Joseph Rowntree Foundation. Further analysis plus a list of all the schemes and their impacts for April 2015 is available at counciltaxsupport.org.