

## What are the overlaps between the bedroom tax and cuts in Council Tax Support?

The Affordable Homes Bill, currently gathering dust in parliament, aims to reduce the number of families who pay the “Bedroom Tax” (or “removal of the spare room subsidy”). At the same time, changes to Council Tax Support mean an increasing number of low income families will now have to pay council tax. This report looks at the number of families that are affected by these changes, with a particular focus on the overlaps.

### Key points

- 380,000 families have been affected by the “Bedroom Tax”, 2.3 million families by Council Tax Support cuts. 270,000 families have been affected by both.
- 70% of those affected by the Bedroom Tax have also seen their Council Tax Support cut, while 11% of those affected by Council Tax Support cuts have also been affected by the Bedroom Tax.
- Council Tax Support cuts have affected six times as many people as the Bedroom Tax because any working-age low income family could be affected.
- The Bedroom Tax affects relatively few families because it only applies to those (a) in social rented housing (b) in receipt of housing benefit and (c) with a ‘spare room’.
- Whilst the number of people affected by the Bedroom Tax is likely to fall as the policy is amended, cuts in Council Tax Support are likely to spread wider and deeper.

## Introduction

Last month, councils had to decide if in April they were going to further cut Council Tax Support to its low income residents, meanwhile the Affordable Homes Bill currently gathering dust in parliament aims to make some families exempt from Bedroom Tax. To put these two policies into context this paper looks at the number of families affected by each and the overlap between them. It updates NPI's previous analysis of welfare reform<sup>1</sup> with the latest numbers from the latest Family Resources Survey and DWP benefit caseload data.

## The policy changes

The Bedroom Tax (referred to by the Government as the removal of the spare-room subsidy) is the most publicised benefit cut introduced under the coalition government. From April 2013, working-age households living in social housing with a spare bedroom had their housing benefit cut by 14% (or 25% if they had more than one spare bedroom). A year later 380,000 families in England had seen their benefit cut by an average of £15.61 per week.

The change to Council Tax Support (CTS), which gives low income families a reduction in their council tax, has been much less publicised. Since April 2013, the support available has been reduced by 281 local councils. As a result 2.3 million low income families have to pay on average an additional £2.86 per week in council tax.

## The overlap

The diagram below breaks down the 380,000 families affected by the Bedroom Tax and the 2.3 million affected by CTS cuts.

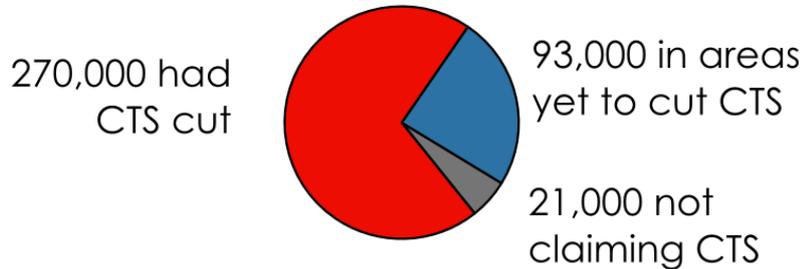
Of the 380,000 families affected by the Bedroom Tax, 70% (270,000) also had their CTS cut, 25% (93,000) claimed CTS but lived in an area yet to cut entitlement and 5% (21,000) did not claim CTS.

Of the 2.3 million families to have their CTS cut, 1.4 million lived in social rented housing, but only 270,000 were affected by the Bedroom Tax; the others did not have a spare room. A further 1 million were affected by CTS cuts but not the Bedroom Tax because they did not live in social housing; 680,000 were private renters and 320,000 were owner-occupiers.

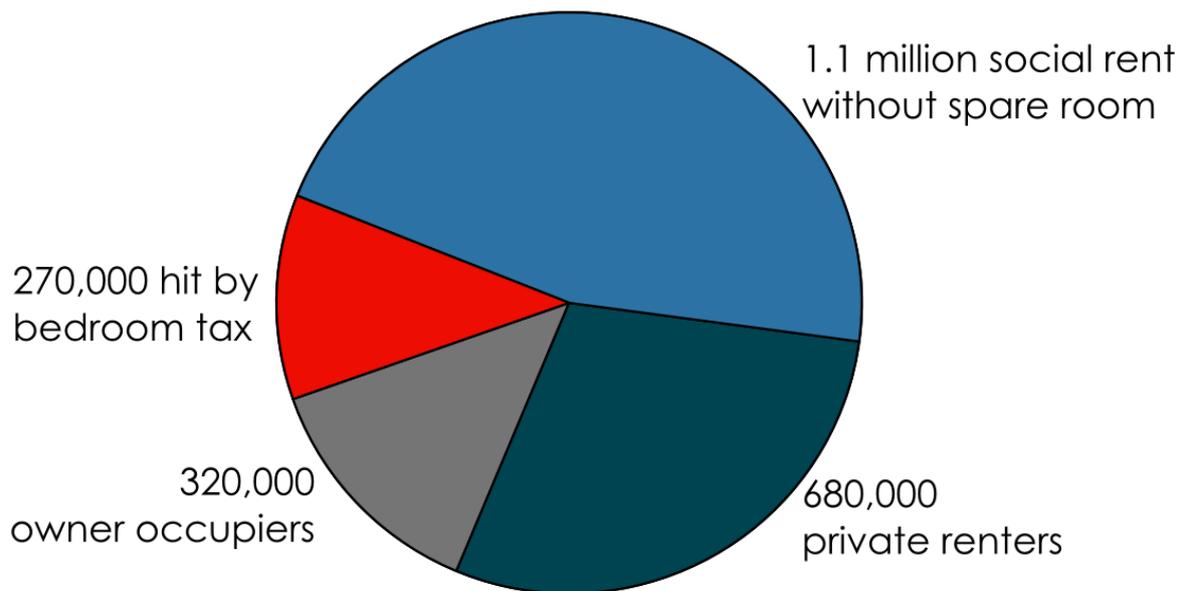
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<sup>1</sup> [How Many Families are Affected by More than One Benefit Cut this April?](#) (April 2013); [Multiple cuts for the poorest families](#) (April 2014)

## 380,000 families affected by the **Bedroom Tax**



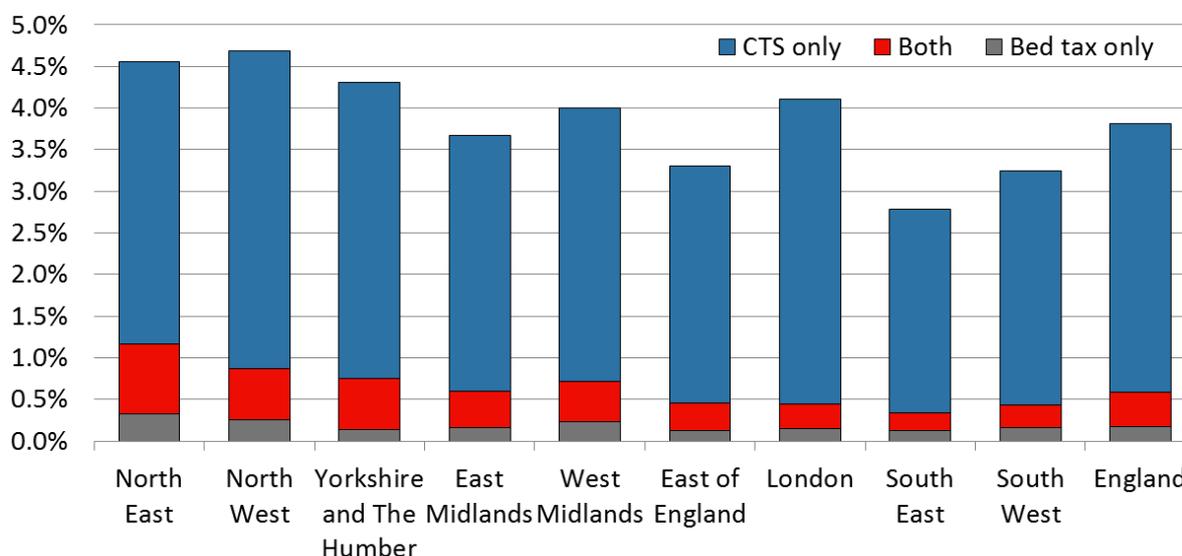
## 2.3 million families affected by **Council Tax Support** cuts



## 270,000 affected by **both**

Overall, 2.4 million families in England have been affected by at least one of these two changes, 3.8% of working-age families. In the North West 4.7% of working-age families have been affected, the highest of any English region. This is because of the high proportion of people affected by CTS changes. London and Yorkshire and the Humber also have a high proportion of families affected by CTS cuts, but a relatively low proportion affected by the Bedroom Tax. The North East has the highest proportion of families affected by the Bedroom Tax at 1.4%.

## Proportion of working-age families affected by the Bedroom Tax or Council Tax Support cuts



Source: NPI analysis of local Council Tax Support schemes (2014/15), DWP housing benefit caseload data (April 2014) and Family Resources Survey 2012/13.

## Commentary

The progress of the Affordable Homes Bill, which aims to exclude tenants from the Bedroom Tax until they receive a "reasonable offer" of alternative accommodation, has stalled. But there is widespread support for at least some reduction in the Bedroom Tax – the Labour Party and SNP want to abolish it and the Liberal Democrats tabled the Bill in the first place. Post-election, there is hope that either the Government or Opposition would bring about a reduction in the number of people affected by the Bedroom Tax.

Meanwhile, 270,000 of those families affected by the Bedroom Tax will still be affected by cuts to CTS and the total number affected by CTS cuts is likely to increase each year. Central government has cut direct funding to local councils and capped the amount by which they can raise funds through increasing council tax.<sup>2</sup> But councils can still increase council tax revenue by removing discount that poorest families receive (i.e. cutting CTS).

Whilst there is reason to be optimistic that the Bedroom Tax will at least be scaled back, cuts to CTS are only likely to get broader and deeper.

<sup>2</sup> If a council [increases council tax by 2% of more it must hold a referendum](#).