

The impacts of Council Tax Support reduction on arrears, collection rates and court and administration costs

September 2014

In April 2013, Council Tax Benefit (CTB) was abolished and replaced by Council Tax Support (CTS). In England, 326 local authorities had to devise their own local CTS schemes, but with 10 per cent less funding. This summary looks at the impact of that change on council tax arrears, collection rates and court and administration costs.

Key findings

- In 2013/14, the majority of local authorities in England saw council tax arrears and court and administration costs increase and collection rates fall. These changes were more pronounced in areas that reduced Council Tax Support entitlement.
- The main entitlement change introduced by councils in April 2013 was the requirement for all working-age adults to pay at least some council tax regardless of income. Councils that introduced this 'minimum payment' were more likely to see arrears and court and administration costs increase and collection rates decrease.
- Areas with a higher minimum payment tended to see greater increases in arrears than areas with lower minimum payments. For instance, arrears increased by at least a quarter in 84 per cent of councils with a high minimum payment, compared to 32 per cent of councils with a low minimum payment.
- Increases in arrears and court and administration costs were more common in areas where there were larger cuts to support. For instance, court and admin costs increased in 43 per cent of councils where the cut was less than £1 per week, but increased amongst 65 per cent councils cutting support by £2 per week or more.

Background

In April 2013, Council Tax Benefit (CTB) was replaced with Council Tax Support (CTS). CTB reduced the amount of council tax that low-income households have to pay – often to nothing. The change marked a historic move from a nationally devised system to one of 326 different local schemes in England. Alongside this restructuring, the money provided by central government to fund CTS was cut by 10 per cent. Each local authority is now responsible for devising its own scheme within the reduced budget. Apart from one major requirement – that pensioners receive the same amount as they did in 2011/12 – councils have near full autonomy to create and amend the local schemes.

From April 2013, 71 per cent of councils required all working-age adults to pay at least some council tax regardless of income (a minimum payment), 11 per cent made some changes that did not affect all CTB recipients, while the remaining 18 per cent of councils retained the 2012/13 levels of CTB.

Arrears

- Overall, 235 English councils (72 per cent) saw council tax arrears increase¹ in 2013/14.
- Councils that introduced changes that reduced CTS entitlement were more likely to see arrears increase. 78 per cent of councils that introduced changes in 2013/14 saw arrears increase compared to 47 per cent of councils that made no change.
- An increase in arrears was more common amongst councils that introduced a minimum payment, particularly amongst those with high minimum payments. Those councils with higher minimum payments were more likely to see a larger increase in arrears (see table below).

Size of minimum payment	Number of councils in group	Proportion of councils where arrears increased	Proportion of councils where arrears increased by at least 25 %
No minimum payment	97	52%	14%
8.5% & under	111	73%	32%
8.5-20%	21	86%	57%
20%	53	85%	55%
20+ %	43	95%	84%
All councils	325	72%	39%

- Increases in arrears tended to be greater in councils with higher cuts in support (linked to the size of the minimum payment). For example, arrears increased in 87 per cent of councils where the average cut was at least £2 per week, compared to 73 per cent of councils making smaller cuts.

¹ To allow for annual fluctuation, changes in the level of arrears were only counted as an increase if they were up by more than 10% on the previous year.

Court and administration costs

- Court and administration costs increased² in 35 per cent of councils that did not introduce changes that reduced CTS entitlement. This compared to 62 per cent of councils that changed their CTS scheme and cut support.
- Increases in court and administration costs were more common amongst councils introducing minimum payments. Costs increased in 40 per cent of councils with no minimum payment compared to 64 per cent of councils with a minimum payment. 73 per cent of councils with a minimum payment of more than 20 per cent saw an increase in court and administration costs.
- Court and admin costs increased in 35 per cent of councils where there was no cut in support in 2013/14, compared to 43 per cent in councils where the cut was less than £1 per week. The level is much higher (at 63 per cent) among councils that cut support by £1-£2, but only rises to 65 per cent for councils cutting support by £2 per week or more.

Collection rates

- 94 per cent of councils that replicated the previous CTB system saw no change³ in their council tax collection rates compared to 69 per cent of councils that made changes. Of those councils where the collection rate fell, the drop was between 0.5 and 1 percentage points.
- Changes in collection rates varied by minimum payment level. As the minimum payment level increased, the proportion of councils seeing their collection rate fall increased. The collection rate fell in 15 per cent of councils that introduced minimum payments of 8.5 per cent or less, rising to 63 per cent in councils with minimum payments of at least 20 per cent.

About this project

This study draws on official [council tax statistics](#) published by the Department for Communities and Local Government in July 2014 and data on [local council tax support schemes](#) gathered and analysed by the New Policy Institute.

The data on local CTS schemes was sourced from individual lower tier and local authority websites. The estimates of the average reduction in support are drawn from a model devised by NPI. This combines: local authority level data on the distribution of properties by council tax band (the valuation list); local authority level administrative data on the number of working-age CTB recipients; and regional level survey data (from the Family Resources Survey) on the distribution of CTB claimants by band and whether single or couple.

This study follows two previous reports, funded by the Joseph Rowntree Foundation, on the impacts of Council Tax Support in [2013/14](#) and [2014/15](#).

² Percentage changes in court and administration costs of +/- 10% were counted as no change.

³ To allow for annual changes, increases or decreases in collection rates of .5 percentage points were counted as no change.