



BRIEFING PAPER

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Council Tax Reduction Schemes (GB)

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Summary

This paper primarily relates to England; Council Tax Reduction Schemes in Scotland and Wales are described in Section 6, where separate regulations apply.

Since 1 April 2013, local authorities in England have been responsible for administering their own Council Tax Reduction Schemes. This followed the UK Government [decision](#) to abolish Council Tax Benefit and an announcement in the [2010 Spending Review](#) to localise Council Tax Support and to reduce expenditure on this benefit by 10%.

The Library Briefing [Localising Support for Council Tax – Background](#) details the introduction of local Council Tax Reduction Schemes and the abolition of Council Tax Benefit.

Development of local schemes

From 2013/14, local authorities have been required to publish a scheme setting out Council Tax Support in their area, detailing the classes of individuals eligible, the reductions they may receive, the procedures through which they can apply, and an appeals process.

[The Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#) state councils **must** make reductions for certain classes of pensioners. No other groups are required to receive reductions under the Regulations.

The New Policy Institute (NPI), with funding from the Joseph Rowntree Foundation, has [monitored the schemes designed](#) by the 326 English local authorities from 2013/14 to 2018/19. Their data shows:

- In 2018/19, only 36 councils continued to provide the levels of support available under the former Council Tax benefit system;
- The most common change was to introduce a “minimum payment”, which requires everyone to pay at least some Council Tax regardless of income;
- In 2018/19, 215 councils had reduced or removed the second adult rebate. This is the benefit homeowners not on a low income are entitled to if they share their home with someone on a low income;
- Around a third of councils (110) had introduced a band cap. This limits the amount of benefit received in higher value properties to the amount provided to those in lower value properties. The most common band cap applied is D.

Institute for Fiscal Studies (IFS) and NPI [analysis](#) found that the most commonly protected groups, aside from pensioners, were veterans (protected by 70% of councils in 2018/19) and disabled people (88% of councils in 2018/19).

Most authorities have full details or summaries of their schemes on their websites. Links to the appropriate authority can be found via Gov.UK, [Apply for a Council Tax reduction](#) and Advicelocal, [Council Tax](#).

Impacts

Reports by Citizens Advice ([Negative budgets](#) (2020)), the Child Poverty Action Group and Z2K ([Still Too Poor to Pay: Council Tax Support in London 2018-19](#) (2020)), and Stepchange ([Council Tax debts](#) (2015)) assess the impact of scheme changes on household budgets, Council Tax arrears, and the use of enforcement powers by local authorities. Citizens Advice [reported](#) in 2020 that fixed costs (such as Council Tax) alone pushed 11% of the people they supported with debt into a negative budget, and called

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on policymakers to identify opportunities to “increase people’s income and reduce essential living costs”.

Coronavirus

In March 2020, the UK Government [announced](#) £500 million of funding for councils to primarily provide additional Council Tax relief, alongside existing local Council Tax support schemes over 2020/21. In accompanying [guidance](#), the Ministry of Housing, Communities and Local Government (MHCLG) said it had a “strong expectation” that billing authorities would provide all recipients of working age local Council Tax support with a further reduction in their annual council tax bill of £150, potentially reducing their liability to nil.

Ollerenshaw Review, 2016

The [Local Government Finance Act 2012](#) placed a requirement on the Government to conduct an independent review of all local Council Tax Support schemes. Eric Ollerenshaw OBE chaired the resulting review, [Three years on: An independent review of local Council Tax Support schemes](#) (2016).

The review noted that the collection rates of Council Tax had declined since the introduction of local Council Tax Support, though were “slowly improving” by 2016. Some councils also faced the problem of arrears accumulation that were unlikely to be paid. The review argued that the work incentives in Council Tax Support schemes did not, by themselves, appear to have had an impact on local employment levels.

The Review made fourteen recommendations to the UK Government, including that the Government confirm it would not roll Council Tax Reduction Schemes into Universal Credit, rectify data sharing issues between the Department for Work and Pensions and local authorities, and localise at least part of the local Council Tax Support scheme for pensioners, allowing councils to decide how much support they would provide for all low-income residents. In its [response](#), the Government confirmed did not intend to merge local schemes with Universal Credit, would continue to share information with authorities and said it had no plans to allow local discretion over support for pensioners.

1. Background

The 2011 Consultation paper, [Localising Support for Council Tax England](#), set out the then-Coalition Government's policy for localising assistance with Council Tax payments.

Reasons cited for the change included giving local authorities a degree of control over how the 10% reduction in expenditure on the Council Tax Benefit bill from 2012/13 would be achieved. Localisation, the then-Department for Community and Local Government (DCLG) estimated, would help reduce the budget by £470 million per annum in Great Britain.¹

The Department also said the change would create an incentive for councils to encourage people into employment, give authorities a greater stake in local economies, and increase local accountability.²

1.1 The Local Government Finance Act 2012

Section 10 of the [Local Government Finance Act 2012](#) added Section 13A to the [Local Government and Finance Act 1992](#) so that, in respect of dwellings in England, a person's liability to pay Council Tax is reduced in accordance with the billing authority's Council Tax Reduction Scheme. Liability may be reduced "to such an extent as the billing authority [...] thinks fit." This includes reducing liability to nil.

Billing authorities are required to make a scheme specifying the reductions which are to apply in each financial year. Its reductions can apply both to persons whom the authority considers to be in financial need or to certain classes of persons who the authority considers to be, in general, in need.

Billing authorities are the default lead authorities for Council Tax Support schemes, but authorities may, under the [Local Government Act 1972](#), collaborate with other authorities to develop joint schemes, design schemes on behalf of multiple authorities, or allow an upper-tier authority to develop a scheme for one or more billing authority.³

Two or more authorities may also work together to deal with deficits. This may include one billing authority making payments to another, or variations in payments or instalments due.⁴

Any billing authority's scheme must include the following:

- **The classes of person entitled to a reduction under the scheme and how they are defined.**

These classes may be determined by reference to the income of the person liable for Council Tax, their capital; the income and capital of any other person resident in a dwelling, the number of

¹ Department for Communities and Local Government (DCLG), [Local Government Finance Bill: Localising support for Council Tax. Updated impact assessment](#), June 2012, pp1, 6

² DCLG, [Localising Support for Council Tax England](#), August 2011, p10

³ [Local Government Act 1972](#), Section 101

⁴ Part 1 of Schedule 4 to the [Local Government Finance Act 2012](#)

dependents of the person liable or resident; and whether the person has made an application for reduction.

- **Details of the reductions to which persons of each class are entitled (different reductions may be set out for different classes).**

A reduction may take the form of a discount calculated as a percentage of the amount of Council Tax due, a fixed discount as set out in the scheme or calculated in accordance with the scheme; an amount of Council Tax to be paid (lower than that payable if not for the reduction scheme) which is set out in the scheme or calculated in accordance with it; or the whole amount of Council Tax (making their liability nil).

- **The procedure through which a person can apply.**
- **The procedures by which a person can appeal against their entitlement or amount of reduction.**⁵

Before making a scheme, authorities must consult, including with any major precepting authority, and publish a draft. For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme. They may not make in-year revisions and authorities should include transitional arrangements where any changes have the effect of reducing or removing a reduction to which any class of persons was previously entitled.⁶

Precepting Authority:

A precepting authority has the power to instruct a local authority (the billing authority) to collect an amount from Council Tax on its behalf. They are typically county councils.

Following the [2011 consultation](#), the Government said it would prescribe that support for pensioners should remain broadly in line with that existing under the previous Council Tax Benefit system, but did not intend to make Regulations for other groups.⁷ [2012 Regulations](#) prescribed the classes of persons that must be covered by the scheme and the reductions applying to them.⁸

Some authorities chose to adopt the default scheme provided for in the [Council Tax Reduction Schemes \(Prescribed Requirements and Default Scheme\) \(England\) Regulations 2012](#).

Individuals who are subject to immigration control or who are not habitually resident in the UK, are not eligible for support.⁹

[2020 Regulations](#) mean that certain payments relating to the Grenfell Tower Fire and payments made under the Windrush Compensation Scheme must be disregarded when calculating an applicant's income and capital.¹⁰

⁵ Part 1 of Schedule 4 to the [Local Government Finance Act 2012](#)

⁶ Part 1 of Schedule 4 to the [Local Government Finance Act 2012](#)

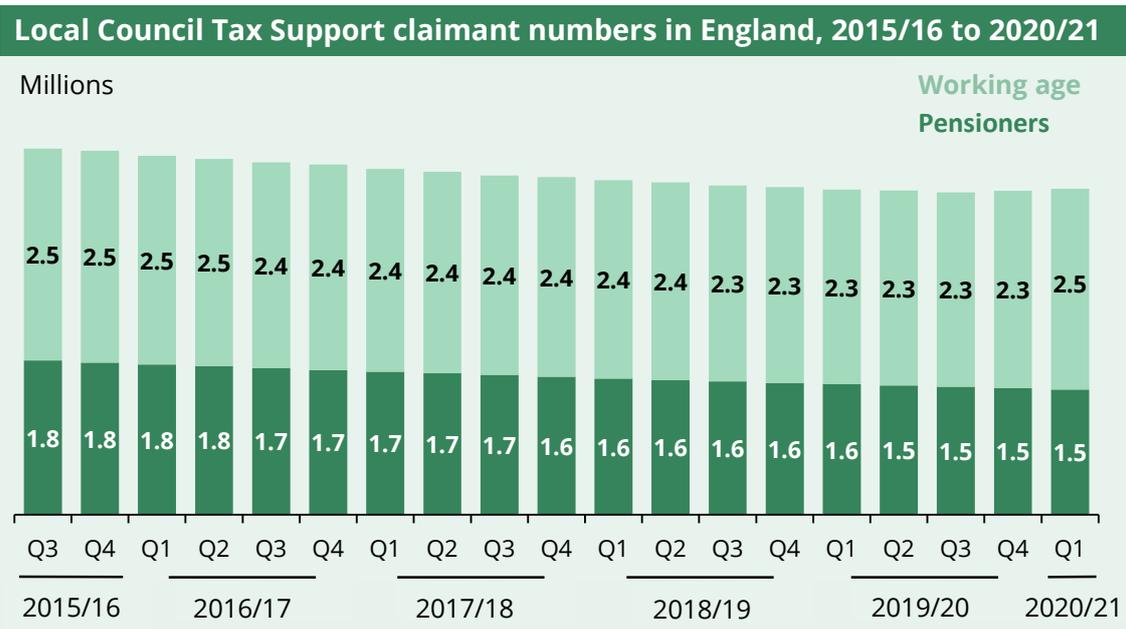
⁷ DCLG, [Localising support for Council Tax in England: Government's response to the outcome of consultation](#), 2011, paras 2,4, 3.9

⁸ The [Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#), as amended, Regulations 12 and 13

⁹ The [Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#), as amended; [The Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) 2020](#), Regulation 6

¹⁰ [The Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) 2020](#), Regulation 3

1.2 Claimant statistics (England)



Notes:

1 A pensioner is defined as a person attaining the qualifying age for state pension credit and neither they nor their partner receive Universal Credit or income support/income-based jobseekers allowance or income-related employment and support allowance

2 A working age person is a person who is not a pensioner

3 Figures are submitted by Local Authorities and should be treated as provisional.

Source: Ministry of Housing, Communities and Local Government, [Local Council Tax Support, Q4 2019 to 2020](#), last updated 19 August 2020.

The Ministry of Housing, Communities and Local Government's (MHCLG) quarterly snapshot data for England show that the total number of claimants for Local Council Tax Support fell from 4.4 million in the third quarter of 2015/16 to 3.9 million by the final quarter of 2019/20, before rising to 4.0 million in the first quarter of 2020/21. Local authorities have cited the economic conditions arising from the Coronavirus outbreak, changes to the state pension age, and impact of Universal Credit as factors influencing claimant numbers. The number will also be impacted by any changes to eligibility at a local level.

Pensioner claimants declined from 1.8 million in 2015/16 to 1.5 million in the first quarter of 2020/21. Working-age claimants also declined, from 2.5 million in 2015/16 to 2.3 million in 2019/20 but rose back to 2.5 million in the first quarter of 2020/21.

As shown in Section 6, claimant numbers have also fallen in Scotland and Wales during this period.

MHCLG figures provide the estimated number of claimants receiving Council Tax Support in each local authority area in the following tables:

- **Q3 of 2015/16 to Q1 of 2020/21:** [Local Council Tax Support, Q4 2019 to Q1 2020/21](#).
- **2015/16:** [Local Council Tax Support: Number of Claimants, Amount of Council Tax Foregone, Total amounts paid to parishes and Number of changes in circumstances. Budget Estimates for](#)

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[the financial year April 2015 to March 2016, England](#) (downloads Excel spreadsheet).

- **2014/15:** [Council Tax Support: number of claimants, Council Tax foregone and total amounts paid to parishes. Budget estimates for the financial year April 2014 to March 2015, England \(Revised\)](#) (downloads Excel spreadsheet).

2. Select scheme features

2.1 Coronavirus

In March 2020, the UK Government [announced](#) £500 million of additional funding to local authorities to provide support, including via Council Tax relief, in 2020/21. The Government intends Councils to use the funding to provide further discretionary support.¹¹ Accompanying guidance set out the MHCLG's expectations of how the funding would be used:

13. The Government's strong expectation is that billing authorities will provide all recipients of working age local Council Tax Support ('LCTS') during the financial year 2020-21 with a further reduction in their annual Council Tax bill of £150, using their discretionary powers to reduce the liability of Council Tax payers outside of their formal LCTS scheme design.

14. Where a taxpayer's liability for 2020-21 is, following the application of Council Tax Support, less than £150, then their liability would be reduced to nil. Where a taxpayer's liability for 2020-21 is nil, no reduction to the Council Tax bill will be available.

[...]

19. Having allocated grant to reduce the Council Tax bill of working age LCTS recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant to assist those in need.¹²

Annex D to the [Guidance](#) sets out each local authority's allocation. Citizens Advice, the Money Advice Trust and Stepchange (a debt advice charity) said in May 2020 that additional funding would be needed for Council Tax Support schemes.¹³

In July 2020, the Government said that the Spending Review would consider local Government funding and that the repayment of Council Tax reduction deficits arising in 2020/21 would be spread over the next three years in order to reduce pressure on council budgets.¹⁴

2.2 Funding

Retained Business Rates from 2013/14

Since April 2013 the Government has localised a percentage share of the business rates raised by local authorities. This has replaced the previous system, under which business rates were collected by local authorities, pooled by central Government and redistributed to local authorities (including police and fire and rescue authorities) through formula grant.¹⁵

¹¹ MHCLG, [Government confirms £500 million hardship fund will provide Council Tax relief for vulnerable households](#), 24 March 2020

¹² MHCLG, [Council Tax- COVID-19 hardship fund 2020-21—Local Authority Guidance](#), March 2020, paras 13-14, 19

¹³ Citizens Advice, Step Change, Money Advice, [Action needed to prevent a Council Tax enforcement "cliff edge" following coronavirus](#), 21 May 2020, p3

¹⁴ [PQ 76596 \[Council Tax Benefits\], 27 July 2020](#)

¹⁵ Changes to this system are provided for in the [Local Government Finance Act 2012](#)

The Government said that the change would provide clarity:

... By including the agreed funding allocations for local authorities as a visible line within their baseline funding levels for the first year of the new business rates system. Local authorities will therefore know what level of funding relates to Council Tax Support schemes, to support planning for the first year of the scheme.¹⁶

The Government also said that the provision of funding via business rates would “strengthen the incentive for authorities to grow their local economy and help residents back into employment”. It also noted that “on average, business rates growth runs at 1 per cent per annum in real terms”, providing “an opportunity for a greater overall amount in the local share to increase in line with business rates growth”.¹⁷

A ‘[safety net](#)’ offers support to authorities that see their retained business rates income drop, in any year, by more than a set percentage below their baseline funding level.¹⁸

There are no restrictions on the amount that authorities can put towards schemes.

Transitional Funding

The then-DCLG announced transitional funding of £100 million for 2013/14, the first year of introduction. This was available to authorities who adopted schemes that ensured low-income households did not “face an extensive increase” in their Council Tax liability for that year, creating an incentive to have a minimum payment of 8.5% or less (setting a minimum payment requires everyone to pay at least some Council Tax, regardless of income).¹⁹ In the 2012 Budget, authorities also collectively received £30 million to draw up local schemes.²⁰

Initial funding

Initial levels of funding were set through an upfront allocation for all billing and major precepting authorities from 2013 – this funding was 90% of the forecast subsidised Council Tax Benefit expenditure for 2013/14. The final allocations for each authority were based on factors including the Office for Budgetary Responsibility forecast of Council Tax benefit expenditure and subsidised Council Tax benefit expenditure by billing authority.²¹

The then-DCLG said that it decided not to calculate funding based on the proportion of a council caseload comprising pensioners in order to allow authorities to locally determine how they would manage the

¹⁶ DCLG, [Localising support for Council Tax: Funding arrangements consultation](#), 2012, para 5.2. This was informed by the consultation on [Business Rates Retention: Technical Consultation](#), July 2012 and the Government response: [Business rates retention: Policy statement](#), November 2012.

¹⁷ DCLG, [Localising Support for Council Tax: Funding arrangements consultation](#), 2012, para 1.10

¹⁸ [Ibid](#), paras 1.8, 5.4

¹⁹ DCLG, [Localising support for Council Tax: Transitional grant scheme](#), October 2012, paras 1, 2, 11

²⁰ DCLG, [Localising support for Council Tax: Update on funding arrangements](#), November 2012, para 35

²¹ DCLG, [Localising support for Council Tax - Update on funding arrangements](#), November 2012; DCLG, [Local Government Finance Settlement 2013/14](#)

reduction in funding. The Department also argued that such a formula would not take into account the fact that in some areas the proportion of pensioners may be high, but the level of Council Tax benefit spending overall is relatively low.²²

Later funding

The MHCLG has subsequently made available Localised Council Tax Support Administration Subsidy grants, to compensate local authorities for administering council tax support. This totalled £66 million in both 2019/20 and 2020/21.²³

2.3 Risk sharing and budget pressures

The UK Government noted that in authorities where Council Tax Benefit previously represented a high proportion of overall revenue expenditure, they would find the reduction in funding more challenging. The Government said it would set a floor and ceiling in order to limit the maximum budget pressure, which was published as part of the 2013/14 Local Government Finance Settlement.²⁴

In order to help local authorities cope with variations in demand for assistance and the amount of Council Tax collected, the Government in 2011 said that this deficit or surplus should be shared between the billing and major precepting authorities at the beginning of the following financial year.²⁵ Under the [Local Government Finance Act 1992](#), as amended by the 2012 Act, billing authorities facing a shortfall in Council Tax receipts, and subsequently a deficit on the collection fund, can make arrangements with major precepting authorities to make payments to each other and agree to vary the payments or instalments that are required to be made under the Funds Regulations.²⁶

The Government expected billing and local precepting authorities to work together to manage the potential impact of the Council Tax reductions on the local precepting authority Band D Council Tax level, by, for example, passing down an element of funding to the local precepting authority so the funding is taken into account when calculating the local precepting authority's Council Tax requirement.²⁷

Since 2012, reductions in Council Tax bills received by households under local authorities' Council Tax Reduction Schemes must be taken into account when a Council Tax base is calculated. If the Council Tax base did not reduce, authorities would set their Council Tax bills based on an

²² DCLG, [Localising Support for Council Tax: Funding arrangements consultation](#), May 2012, para 4.2

²³ MHCLG, [Localised Council Tax support administration subsidy grant 2020 to 2021](#), May 2020; MHCLG, [Grant determination and final allocation for 2019-20 Local authority Council Tax Support Admin Subsidy Grant](#), 17 July 2019.

²⁴ DCLG, [Methodology for floor damping](#), 2013/14

²⁵ DCLG, [Localising support for Council Tax in England: Government's response to the outcome of consultation](#), 19 December 2011, para 4.4

²⁶ [The Local Authorities \(Funds\) \(England\) \(Amendment\) Regulations 2013](#)

²⁷ DCLG, [Localising support for Council Tax: Council Tax base and funding for local precepting authorities](#), 2012, paras 3.2, 3.3

incorrect level of taxable capacity, leading to a deficit in local collection funds.²⁸

[*The Collection Fund \(Council Tax Reductions\) \(England\) Directions 2013*](#) ensures discretionary discounts under section 13A(1)(C) of the *Local Government Finance Act 1992*, as amended, are borne by the billing authority.

2.4 Data sharing and fraud

The DCLG published a [statement of intent](#) on information sharing with local authorities and powers to tackle fraud in July 2012. The statement said that some information held by HMRC would be supplied to billing authorities in England and set out the purposes for which information would be provided by the Department for Work and Pensions (DWP) to billing authorities under existing powers in the *Welfare Reform Act 2012*.²⁹

[*The Social Security \(Information-sharing in relation to Welfare Services etc.\) \(Amendment\) Regulations 2013*](#) added Local Council Tax Reductions schemes to the list of prescribed purposes for which social security data can be used and shared. This includes the design of schemes and assessing the eligibility of applicants.³⁰ The DWP's [Local authority data sharing guide](#) (2014) provides further detail.³¹

Universal Credit data can be shared for local Council Tax reduction purposes. The DWP conducted a review on this in 2018, following concerns raised by local authorities. Authorities requested that information on non-dependent income, unearned income and free school meals information be shared, but the DWP confirmed that the information was not held for the purposes of Universal Credit calculations and could not be shared.³²

[*The Council Tax Reduction Schemes \(Detection of Fraud and Enforcement\) \(England\) Regulations 2013*](#) enable billing authorities to authorise investigations committed in relation to Council Tax Reduction schemes and created offences related to making a false representation for the purpose of obtaining a reduction or failing to notify a billing authority of a relevant change in circumstances affecting entitlement.

Responses to the 2011 consultation, the Government said, showed "very strong support for an extension of the powers which local authorities currently have for the investigation of fraud in relation to Council Tax benefit to cover new local Council Tax Support schemes".³³ When introducing the 2013 Regulations, the Government said it had

²⁸ [*The Local Authorities \(Calculation of Council Tax Base\) \(England\) Regulations 2012*](#)

²⁹ DCLG, [Localising support for Council Tax: A statement of intent on information sharing and powers to tackle fraud](#), July 2012, Para 1.2

³⁰ [DWP Circular HB/CTB A3/2013](#)

³¹ DWP, [Guidance: Local authority data sharing guide](#), April 2014, paras 4.3-4.6

³² DWP, [Guidance: LA Welfare Direct Bulletin 12/2018, Universal Credit data sharing issues](#), 3 December 2018, paras 1, 10-11

³³ DCLG, [Localising support for Council Tax in England: Government's response to the outcome of consultation](#), 2011, para 8.2

decided to “only make provision for powers, offences, and penalties that are appropriate for the new schemes”.³⁴

2.5 Potential inclusion with Universal Credit

Section 9 of the [Local Government Finance Act 2012](#) required the Secretary of State to make provision for an independent review into the Council Tax Reduction schemes provided by councils and for this review to make recommendations as to whether such schemes should be brought within Universal Credit.

The then-Minister, Lord Freud, told the Work and Pensions Committee in December 2015 that his initial intention was that Council Tax Support would be included in Universal Credit, but that the Coalition Government’s localism agenda had taken precedence.³⁵

The resulting [Ollerenshaw Review](#) in 2016 heard evidence from authorities and councils that moving local Council Tax Support into Universal Credit would simplify the system, end the “postcode lottery” of support provision and improve the work incentives intended from Universal Credit. However, councils also said they did not believe the Government was ready for such a policy change.³⁶ The review recommended that support be retained as a local scheme and the Government, in its 2018 response, said it had no plans to roll the support into Universal Credit.³⁷

³⁴ [Explanatory Memorandum to The Council Tax Reduction Schemes \(Detection of Fraud and Enforcement\) \(England\) \(Regulations\) 2013](#), para 7.2

³⁵ Work and Pensions Committee; [The local welfare safety net](#), HC 373, 8 January 2016, para 96; Work and Pensions Committee, [Oral evidence: Local welfare safety net](#), 2 December 2015, Q116

³⁶ Eric Ollerenshaw OBE, [Three years on: An independent review of local Council Tax Support schemes](#), March 2016, pp92-3

³⁷ [Ibid](#), p98; MHLCG, [The Government response to an independent review of local Council Tax Support schemes](#), January 2018

3. Legal challenges

Key cases on Council Tax Reduction Schemes in England are summarised below.

3.1 Consultation exercises

Stirling/Moseley–v–The London Borough of Haringey, 2014

In 2014, the Supreme Court found that Haringey had acted unlawfully when consulting on the authority's Council Tax Reduction Scheme, in that it had misleadingly failed to provide alternative options for meeting the funding shortfall:³⁸

The consultation document presented the proposed reduction in Council Tax Support as if it were the inevitable consequence of the Government's funding cuts, and thereby disguised the choice made by Haringey itself. It misleadingly implied that there were no possible alternatives to that choice. In reality, therefore, there was no consultation on the fundamental basis of the scheme.³⁹

The court ruled that, on account of the time passed, Haringey was not required review its consultation. However, the ruling set a precedent for future consultations.⁴⁰

3.2 Residency requirements

Winder/Dowen/Hampton–v–Sandwell Metropolitan Borough Council, 2014

The High Court in Birmingham in 2014 found against Sandwell Metropolitan Borough Council, who had introduced a two-year residency rule.⁴¹ Mr Justice Hickinbottom said that there was "no evidence that the Council conducted any assessment at all of the race or gender impact of the residence requirement" for its 2013/14 scheme and "scant evidence" it did so for its 2014/15 scheme.⁴²

Refusal of a Council Tax reduction based on residency requirements is now likely to be unlawful. Two other councils with similar residency rules, Basildon and Tendring, stopped applying them.⁴³ The Government said in 2015 that decisions on the use of residency qualifications in funding decisions were ultimately ones for local authorities, though

³⁸ *Inside Housing*, "[Court rules against town hall on Council Tax scheme](#)", 29 October 2014. On appeal from the High Court: [The Queen on the application of Sarah Stirling -v- The London Borough of Haringey](#) [2013] EWCA Civ 116

³⁹ The Supreme Court, [R \(on the application of Moseley \(in substitution of Stirling Deceased\)\) \(A\) \(Appellant\)-v-The London Borough of Haringey \(Respondent\)](#), 29 October 2014.

⁴⁰ *Inside Housing*, "[Court rules against town hall on Council Tax scheme](#)", 29 October 2014

⁴¹ [The Queen on the application of Sheila Winder, Lisa Marie Dowen and Sarah Hampton-v-The Sandwell Metropolitan Borough Council](#), 30 July 2014

⁴² Garden Court Chambers, [\[2014\] EWHC 2617 \(Admin\)](#), 30 July 2014

⁴³ Child Poverty Action Group (CPAG), [Council Tax reduction- Minimum local residence rule](#), accessed 4 August 2020

stressed the need for authorities to improve services for vulnerable people or those with complex needs.⁴⁴

The then-Council Leader, Darren Cooper, said in response to the judgment that the Council had sought to minimise the number of people affected by a reduction in support. He said the residency requirement was an attempt to “discourage people from other parts of the country moving here to take advantage of cheaper housing and adding further demands to our reduction scheme”.⁴⁵

3.3 Minimum payments for all residents of working age

Logan–v–The London Borough of Havering, 2015

In 2015 the High Court rejected a claim for judicial review of the London Borough of Havering’s amended scheme for 2015/16.⁴⁶

Havering had amended their scheme to include a minimum payment of 15% for all residents of working age, rendering the Judicial Review claimant, Mr Logan, liable to pay Council Tax after having held a 100% exemption on account of disability. Although Mr Logan had been offered a discretionary exemption for that year, he pursued the case on the basis that he believed the new scheme was discriminatory on the grounds of disability and age under Article 14 of the [European Convention on Human Rights](#) and the [Equality Act 2010](#).

The judge found that the new scheme was not unfairly discriminatory to the disabled or the aged as it applied to all people of working age and whose income fell beneath the applicable amount. He noted that the exclusion of pensioners from the 100% scheme was the result of primary legislation and this had not been challenged by Mr Logan.

The judge also said that the scheme impacts took account of disability and the different situation of the able bodied and disabled with respect to access to the labour market, but did acknowledge that discretion would likely apply in cases of severe disability which negated the opportunity to work:

Where a severely disabled claimant who is unlikely ever to be able to access the labour market before reaching retirement age, has basic needs that consume all state benefits and has no reasonable way of increasing his/her resources, there is a strong case for the exercise of further discretion to grant 100% Council Tax Support. A failure to do so may be challenged as irrational or discriminatory, particularly where budgetary expenses relate to disability such as high cost foods or supplements.⁴⁷

⁴⁴ DWP, [Social Security Advisory Committee review of localisation and social security: Government response](#), 2015, para 12

⁴⁵ Local Government Lawyer, [Council acted outside its powers on Council Tax Reduction Scheme: High Court](#), 4 August 2014; *Inside Housing*, [Council to find £1.6m in savings after losing High Court tax battle](#), 24 September 2014

⁴⁶ [The Queen on the application of Mark Logan-v-The London Borough of Havering](#), 16-17 September 2015

⁴⁷ [Ibid.](#)

4. Analysis of impact

4.1 Initial impact of changes in 2013/14 and 2014/15

Oxfam and the New Policy Institute's (NPI) [Multiple Cuts For The Poorest Families](#) examined the cumulative impact of Housing Benefit changes and the localisation of Council Tax Support (CTS). The research, published in April 2014, estimated the numbers affected by the changes and impact on their income:

From April 2014 2.34 million families were paying more Council Tax as a result of the change to CTS. This includes 1.4 million of the poorest families who prior to April 2013 were exempt from paying any Council Tax. These families will pay on average £154 in Council Tax a year (amounting to £2.96 per week) and will have to meet this cost using their basic cash benefit.

The amount of Council Tax that affected families have to pay depends on their local authority. Around 650,000 families will have to pay less than £100 in 2014/15 and 500,000 will pay £200 or more.⁴⁸

On the cumulative impacts of the Housing Benefit changes, the overall benefit cap and changes to Council Tax Support, the report estimated that "1.75 million of the poorest families now have to spend some of their basic cash benefit on rent or Council Tax. Of these, 490,000 families have to spend it on both".⁴⁹

The Joseph Rowntree Foundation's (JRF) [The impact of localising Council Tax benefit](#) (2013) and [How have low-income families been affected by the changes to Council Tax Support?](#) (2014) came to similar conclusions on the initial impact of the changes, estimating that in 2014/15, 2.34 million low-income families paid on average £149 more in Council Tax than they would have under Council Tax Benefit.⁵⁰

The NPI report, [The overlaps between the Bedroom Tax and cuts in Council Tax Support](#) (2015), estimated that 380,000 families had been affected by the 'bedroom tax' and 2.3 million families by cuts to Council Tax Support, with 270,000 families affected by both.⁵¹ The report noted the relatively high prevalence of people affected by Council Tax Support reductions against those affected by the 'bedroom tax' because of the former's applicability to all low income people of working-age. The [report](#) includes a breakdown of impact by region on page four.

⁴⁸ Oxfam/NPI, [Multiple cuts for the poorest families](#), April 2014, p11

⁴⁹ [Ibid](#), p13

⁵⁰ JRF, [How have low-income families been affected by the changes to Council Tax Support?](#) (2014)

⁵¹ NPI, [The overlaps between the Bedroom Tax and cuts in Council Tax Support](#), 2015, p1

4.2 Changes in English authority schemes, 2013/14 to 2020/21

The NPI, with funding from the JRF, monitored the decisions of the 326 English local authorities from 2013/14 to 2018/19. More information can be found on their archived website counciltaxsupport.org to 2017 and counciltaxreduction.org to 2019.

Comparisons between Council Tax Support systems in the 326 English local authorities in 2013/14 and 2018/19 are shown in the figure below. Councils may have introduced more than one new measure, so may be counted more than once. The NPI summarises the changes to schemes by the 2018/19 financial year:

- Only 36 councils continued to provide the levels of support available under the former Council Tax Benefit system;
- The most common change was the introduction of a “minimum payment”, which requires everyone to pay at least some Council Tax regardless of income;
- 215 councils had reduced or removed the second adult rebate. This is the benefit homeowners not on a low income are entitled to if they share their home with someone on a low income;
- Around a third of councils (110) had a band cap. This limits the amount of benefit received in higher value properties to the amount provided to those in lower value properties. The most common band cap applied is D;
- 104 councils lowered the maximum savings limit, over which an individual is no longer eligible for Council Tax Benefit. “Most”, the NPI said, had reduced this to £6,000 from £16,000;
- 70 councils had a minimum Council Tax Support (CTS) entitlement. For example, “a minimum CTS entitlement of £5 per week would mean that claimants entitled to less than this would receive nothing”.⁵²

Entitledto’s [Review of income-banded council tax reduction schemes](#) found that 63 of 314 local authorities in England were running income-banded schemes for 2020/21, an increase from 33 in 2019/20.⁵³ Income bands give people applying for a council tax reduction a percentage reduction on their council tax, depending on their income.⁵⁴

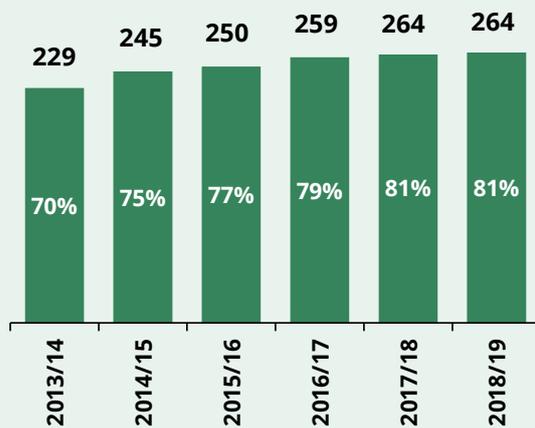
⁵² NPI, ‘[How have councils changed the support available?](#)’, from [Council Tax Reduction.org](#), accessed 5 August 2020

⁵³ Entitled to, [Review of income-banded council tax reduction/support schemes](#), July 2020, p1

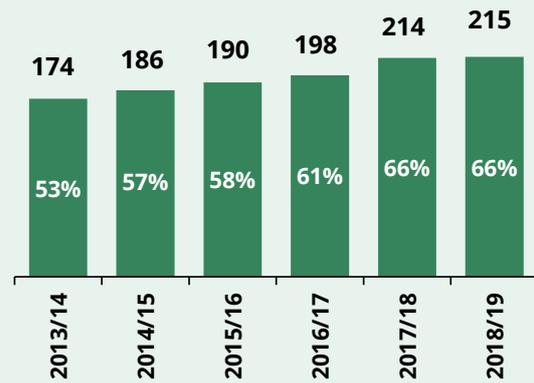
⁵⁴ Entitled to, [Band aid for council tax reduction?](#), 29 January 2019

New Policy Institute Research on Council Tax Support Schemes in England, 2013/14-2018/19

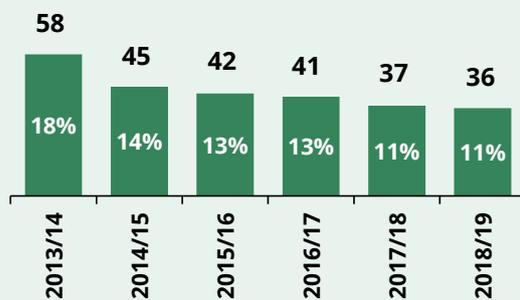
Most councils require minimum payments



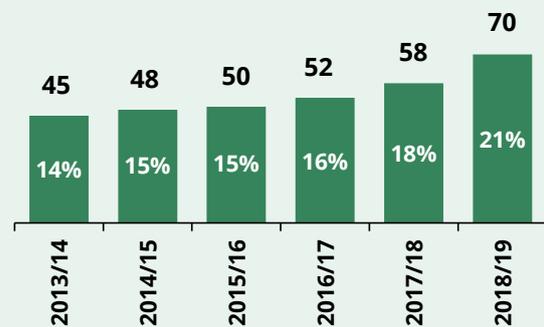
Most councils have reduced or removed the second adult rebate



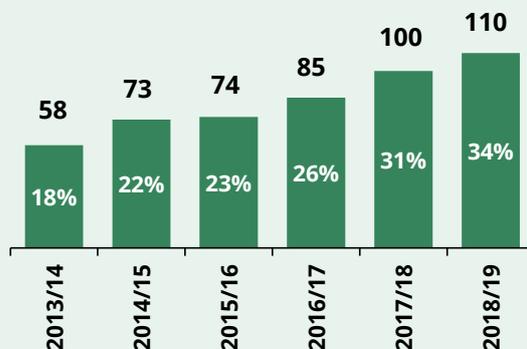
Few councils have retained the support found in the Council Tax Benefit scheme



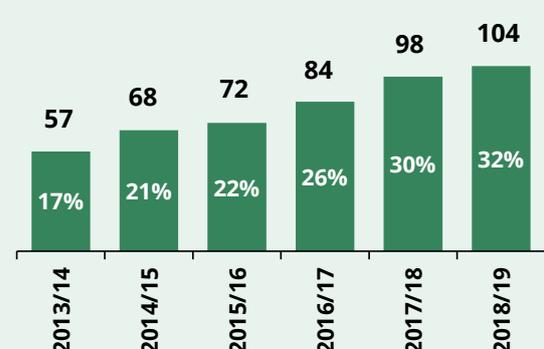
More have introduced a minimum award



Many authorities have a band cap



Many authorities have a savings limit



Source: NPI, [‘How have councils changed the support available?’](#), from [Council Tax Reduction.org](#), accessed 5 August 2020

Institute for Fiscal Studies (IFS), 2019

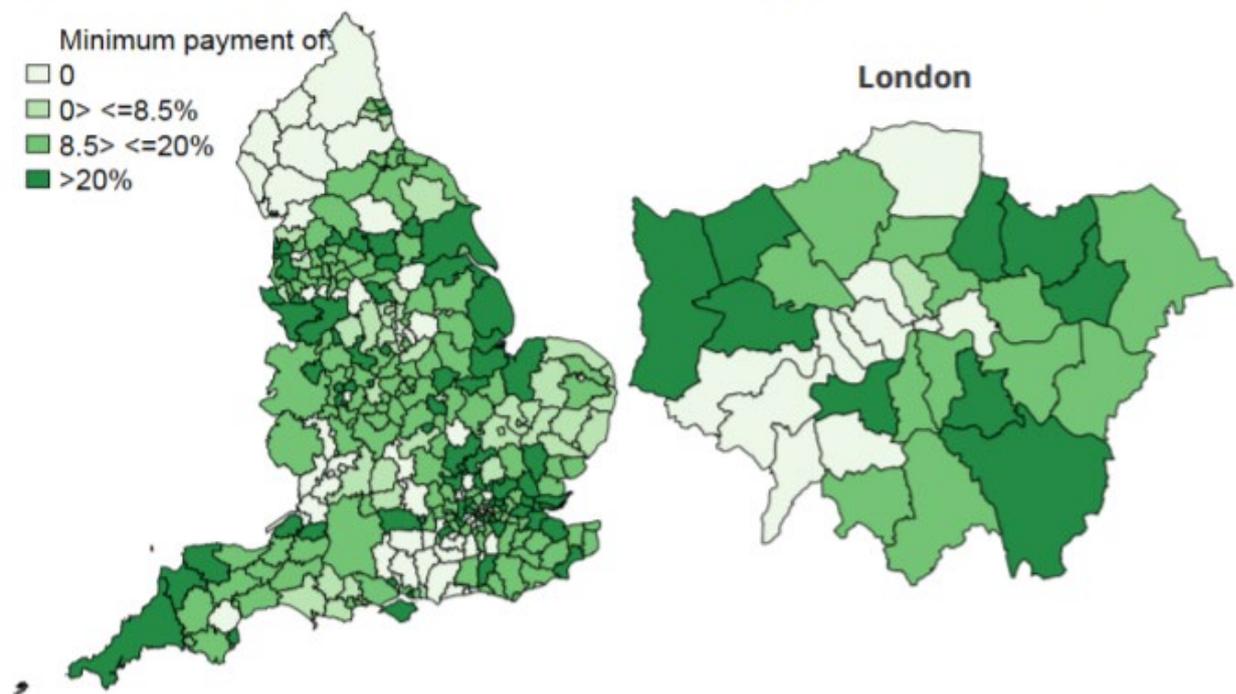
Using data from the NPI and its own calculations, the IFS said in 2019 that since 2013/14, 82% of authorities in England had deviated from the default position of using a scheme similar to that of Council Tax Benefit. By 2018/19, only 34 councils (10%) had made no change.⁵⁵ A non-exhaustive list of changes included:

1 Introduction of Minimum Council Tax payments

Minimum payments require every working-age household to pay a certain share of their gross Council Tax bill. The average minimum payment rose from 15% to 19% from 2013/14 to 2018/19. The IFS stated only 22 decreases in minimum payments had occurred and 8 abolitions, compared to 153 increases.

These IFS maps show the geographic distribution of minimum payments in England in 2018/19. The highest minimum payment was in North Lincolnshire (at least 50% of a gross Council Tax bill). A third of councils either had no minimum payment or one that was 8.5% or less:

Figure 2.6. Geographical distribution of minimum payments in England, 2018-19



Source: IFS, [The impacts of localised Council Tax Support schemes](#), January 2019, p19

2 Alterations mirroring changes in the UK benefit system since 2012

The IFS/NPI estimated the number of councils adopting changes made to other parts of the UK benefit system in their Council Tax Support system in 2018/19:

- Introducing a minimum income floor for the self-employed (19% of councils);

⁵⁵ IFS, [The impacts of localised Council Tax Support schemes](#), 2019, p17

- Abolishing the family premium (44% of councils for new claimants only);
- Introducing a two-child limit (23% of councils for all claimants, 6% for new claimants only); and
- Abolishing the Employment and Support Allowance work-related premium (75% of councils, for new claimants only).

3 Protections for certain groups

The IFS and NPI data found that the most commonly protected groups in scheme changes were veterans (protected by 70% of councils in 2018/19) and disabled people (88% of councils). The most common change from which groups were protected are minimum payments: 98 of 258 authorities with a minimum payment exempted a vulnerable group.⁵⁶

4 Introducing a hardship fund

Around 50% (162) councils provided discretionary hardship funding in 2018/19, compared to 36% (117) in 2013/14.⁵⁷

5 Other changes

These included reducing asset limits, removing support for families with savings or non-pension finance wealth above a certain level, and capping Council Tax Support at a particular Council Tax band.

Changing number of claimants and charges

The NPI, with funding from the JRF, also published [estimates of the number of claimants](#) affected across England and changes in the amount of Council Tax they were required to pay

The NPI noted in the accompanying [analysis](#) that the number of claimants affected and the average hit, relative to what a family may have paid if Council Tax Benefit remained in place, is influenced not only by the changing schemes, but variations in the number of properties in each band and the levels of Council Tax in different authorities. Fewer people may receive support now due to changes in their employment. Section 6 shows that the number of claimants has also fallen in Scotland and Wales.

The figure below shows NPI estimates of the impact of the changes on working-age claimant numbers and their finances in England:

⁵⁶ [Ibid.](#), p25

⁵⁷ [Ibid.](#), p25

New Policy Institute Estimates on Changes for Claimants of Council Tax Support in England, 2013/14 to 2018/19

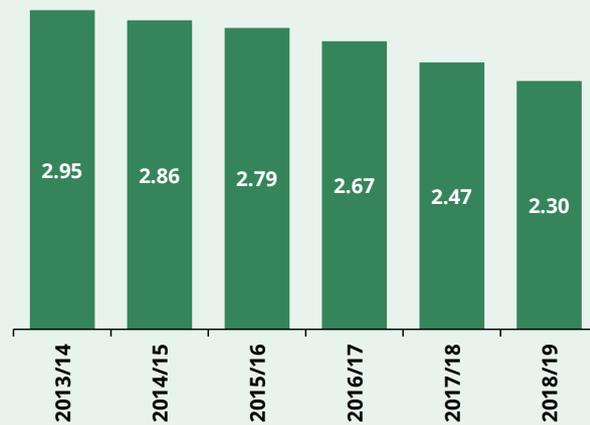
2 million low-income families annually pay more than they may have done if Council Tax Benefit had been retained

Average additional Council Tax paid by households experiencing a cut in



The number of working-age claimants has fallen

Millions

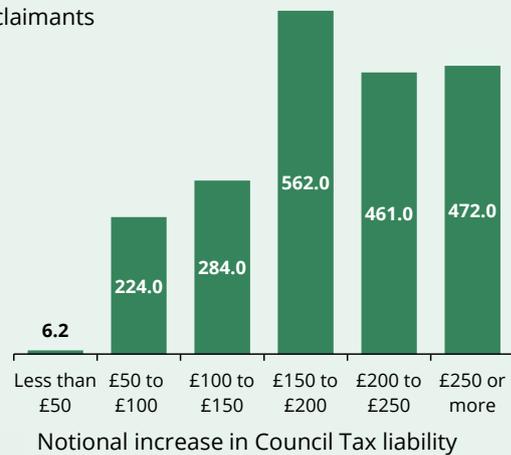


Average extra Council Tax liability due under localised schemes compared to Council Tax Benefit has varied regionally

| | |
|------------------------|------|
| Outer London | £241 |
| South East | £232 |
| Yorkshire & the Humber | £227 |
| South West | £222 |
| East | £208 |
| West Midlands | £199 |
| East Midlands | £193 |
| North West | £176 |
| Inner London | £175 |
| North East | £143 |
| England | £204 |

Many low-income families annually pay more in council tax (2018/19)

Thousand of claimants



Source: NPI, [How has \[Council Tax Support\] affected claimants across England?](#) from Counciltaxreduction.org, accessed 5 August 2020

4.3 Work incentives and household income

Citizens Advice, 2020

The Citizen Advice report, [Negative budgets](#), reported on individuals with negative budgets, who tend to fall into rent or Council Tax arrears and struggle to repay debts they already owe. The report said that fixed costs (such as Council Tax) alone pushed 11% of the people Citizens Advice supported with debt into a negative budget.⁵⁸ Many were

⁵⁸ Citizens Advice, [Negative budgets](#), February 2020, p9

therefore unable to make debt repayments or afford a debt solution (such as a bankruptcy fee). The report recommended that policymakers should identify opportunities to “increase people’s income and reduce essential living costs”.⁵⁹

IFS, 2019

The report, [The impacts of localised Council Tax Support schemes](#), measured the financial incentives to do paid work and found that, due to the reduction in Council Tax Support, “the reforms have slightly strengthened the incentive for individuals to be in paid work, on average” but “changed relatively few workers’ incentives to earn slightly more”.⁶⁰

The report also estimated that there were 1.4 million households required to pay some Council Tax, and a further 1.6 million billed for more than they otherwise would have been. Overall, around 500,000 (25%) of the households that would have had their bills covered entirely under the old Council Tax Support system still had them fully covered under the new system.⁶¹ Data showed that the amount lowest-income households lost varied in England:

Households among the lowest-income fifth in England had a 60% chance of seeing their entitlement reduced if they also lived in one of the most deprived fifth of LAs [Local authorities] in the country, but only a 46% chance of seeing their entitlement reduced if they lived in one of the least deprived fifth of LAs. In both cases, those on low incomes who do lose face a cut in CTS [Council Tax Support] equivalent to a similar proportion of their gross Council Tax bill, on average (about 22%); but since Council Tax bills are higher in better-off areas, this equates to a bigger cash-terms cut to CTS among losers in the least deprived areas (£323 on average) than in the most deprived areas (£229).⁶²

4.4 Council Tax Support and Council Tax arrears

IFS, 2019

The report, [The impacts of localised Council Tax Support schemes](#), examined the impact of scheme choices on Council Tax liabilities, receipts and arrears.

The report said that in 2013/14, the proportion of households in arrears increased in councils that adopted minimum payments, whilst it was unchanged in councils that did not.⁶³ The IFS estimated that a household losing less than £1 a week from the reforms was 3.3% more likely to fall into arrears, whilst a household losing £5 a week was 4% more likely to do so.⁶⁴ The report estimated that cuts to Council Tax Support had increased the total number of households in Council Tax arrears by about 21% in 2016/17:

⁵⁹ [Ibid.](#), p24

⁶⁰ IFS, [The impacts of localised Council Tax Support schemes](#), 2019, pp33, 44, 45

⁶¹ [Ibid.](#), p32

⁶² [Ibid.](#), p42

⁶³ [Ibid.](#), p57

⁶⁴ [Ibid.](#), p60

As a proportion of just those households eligible for CTS, this is an increase of 39% (from 8.4% to 11.6%); and as a proportion of those whose entitlements have been cut, it is an increase of 54% (from 8.4% to 12.9%).

The report said these figures should be treated with caution, due to under-reporting of arrears in the Family Resources Survey, on which the estimates are based.⁶⁵

The IFS also said that introducing minimum payments in an authority caused a significant increase in the number of people in that area contacting Citizens Advice for help relating to Council Tax or Council Tax Support: on average, minimum payments increased enquiries by around 15-20% in the councils concerned.⁶⁶

NPI, 2016 & 2017

The 2017 report, [Are cuts to Council Tax Support in England a false economy for councils?](#) said that authorities with the largest increases in unpaid Council Tax were those with the highest minimum payments.⁶⁷

The 2016 report, [Have cuts to Council Tax Support in England led to rising Council Tax arrears?](#), assessed the relationship between Council Tax Support and Council Tax arrears.

The 2016 report showed that since the introduction of Council Tax Support, the estimated amount of net collectible debt (income authorities would collect if everyone liable for Council Tax paid in it in full) had risen from £22.6 billion in 2011/12 to £25.5 billion in 2015/16.⁶⁸ Total arrears over the same period had risen from £2.4 billion to £2.7 billion, whilst the collection rate fell from 97.4% in 2012/13 to 97.0% in 2013/14 (the first year of Council Tax Support). This was only the second time since the introduction of Council Tax in 1993/94 that collection rates had fallen.⁶⁹

The report concluded that authorities with the highest minimum payments had experienced the largest increases in uncollected Council Tax:

More than 60% of the 75 local authorities with no minimum payment have seen an increase in the collection rate whilst more than half of the 326 who have introduced a minimum payment have seen their collection rate decrease [...]

Local authorities with a minimum payment of more than 20% had an additional £45.0 million in uncollected taxes in 2015/16 when compared with 2012/13. In contrast, local authorities who retained CTB have seen a decrease of £10.6 million.⁷⁰

⁶⁵ [Ibid](#), p60

⁶⁶ [Ibid](#), p47

⁶⁷ NPI, [Are cuts to Council Tax Support in England a false economy for councils?](#), 2017, p3

⁶⁸ NPI, [Have cuts to Council Tax Support in England led to rising Council Tax arrears?](#), 2016, p3

⁶⁹ [Ibid](#), p3

⁷⁰ [Ibid](#), pp5, 6

Stepchange, 2015

Their 2015 report, [Council Tax debts](#), said that the charity had experienced a 372% increase in people contacting them regarding Council Tax arrears since 2010.⁷¹

The charity in March 2014 had previously reported a “huge increase” in the number of people seeking help with Council Tax arrears in 2013:

Last year the charity helped 45,561 people in arrears on Council Tax, up from 25,500 in 2012, an increase of 77 percent.⁷²

The charity called upon policymakers to improve guidance to ensure arrears collection and enforcement is proportionate and fair.⁷³

4.5 Council Tax collection practices

Citizens Advice, 2020

The report, [Wrong side of the tax: Council Tax debt collection needs to change](#), said that the debt collection process does not account for the multiple debts that people in Council Tax arrears often have: it estimated that 9 in 10 clients with Council Tax arrears had at least one other debt. Citizens Advice called upon the Government to amend regulations to move councils away from recovery methods that “push councils towards courts and bailiffs”.⁷⁴

The Local Government Association, in response, [said](#) in November 2019 that bailiffs should “only be used as a last resort” and welcomed the proposal that it be easier for them to recover money without going to the courts and the removal of the requirement for the whole sum to be payable if an instalment is missed.⁷⁵

4.6 Schemes in London

Child Poverty Action Group (CPAG) and Z2K, 2020

In 2020, these two charities published [Still Too Poor to Pay: Council Tax Support in London 2018-19](#), which analysed the impact of Council Tax Reduction Schemes across London.

Its key findings were that charges had increased and that there was an increase in enforcement action:

- Eight boroughs and the City of London had no minimum payment. This increased to nine boroughs and the City of London in 2019/20.
- Four boroughs and the City of London had a hardship fund specifically for Council Tax Support claimants.
- Six boroughs and the City of London used the controversial two-child limit to determine the entitlement of families under their Council Tax Support schemes. One of these

⁷¹ StepChange, [The impact of aggressive enforcement action](#), 2015

⁷² [StepChange Press Release](#), 13 March 2014

⁷³ StepChange, [Council Tax debts](#), 2015, p16

⁷⁴ Citizens Advice, [Wrong side of the tax](#), February 2020, pp3-4

⁷⁵ LGA, [LGA responds to Citizens Advice Council Tax report](#), 12 November 2019

boroughs, Westminster, has dropped this policy for 2020-21.

- 19,367 Council Tax Support claimants were referred to bailiffs, up from 16,444 in 2017/18
- 103,168 Council Tax Support claimants were in arrears, owing a total of £24.8 million in outstanding Council Tax. This compares with 100,798 claimants owing £18.2 million in 2017/18.⁷⁶

The reference to the two-child limit related to the changes in the UK benefit system since April 2017, where low-income families having a third child lose additional support for that child through Child Tax Credit and Universal Credit, which some authorities decided to mirror in their Council Tax Support schemes.⁷⁷

The report also stated the number of support claimants in London fell to 601,736 in 2018/19, a fall from 823,900 in receipt of Council Tax benefits in February 2013.⁷⁸

The two charities called for the reinstatement of “a fully funded national system of Council Tax Support” and urged London authorities to avoid against further cuts and to review their processes to check whether the two-child limit is being applied.⁷⁹

⁷⁶ CPAG and Z2K, [Still too poor to pay: Council Tax Support in London 2018/19 briefing](#), March 2020, p1

⁷⁷ [Ibid](#), p5

⁷⁸ [Ibid](#), p9; CPAG/Z2K, [Still too poor to pay: Three years of localised Council Tax Support in London](#), 2016, p14

⁷⁹ CPAG/Z2K, [Still too poor to pay](#), 2020, p11

5. UK Government, UK Parliament and LGA Reports

5.1 Ollerenshaw Review 2016

Requirement to hold a review

Section 9 of the [Local Government Finance Act 2012](#) placed a requirement on the UK Government to conduct an independent review of all local Council Tax Support schemes in England and Wales within three years of the Act taking effect.

Findings

Eric Ollerenshaw OBE chaired the review, which was published in April 2016 as [Three years on: An independent review of local Council Tax Support schemes](#).⁸⁰

The review found that collection rates of Council Tax declined with the introduction of local Council Tax Support, falling from 97.4% in 2012/13 to 97.0% in 2013/14 and 2014/15. The fall in 2013/14 was only second time since Council Tax was introduced in 1993 that national collection rates had fallen compared to the previous year. The review reported that rates were “slowly improving”.⁸¹

The review said that £490 million of savings had been made in the national budget in the first year of introduction. However, it also concluded that where a minimum payment was required by the council, the “staff time and administrative costs sometimes required seemed disproportionate to the amount being chased”.⁸²

Councils reported that there were a “not insignificant proportion” of recipients with arrears from previous years, and that some may face the problem of arrears accumulation that were unlikely to be paid off.⁸³

The review said that the “legislative requirement to review schemes each year is seen as onerous, rigid and costly”, with councils reporting on a lack of clarity in the consultation process.⁸⁴ This, together with the requirement to set schemes by 31 January each year, the report said, hindered greater efficiency and “undermine[d] the cost-saving objective of the policy”.⁸⁵

The review also found that work incentives in Council Tax Support schemes did not, by themselves, appear to have an impact on local employment levels. However, the report said, it may have encouraged some councils to be “more proactive in helping residents into work or better paid work”.⁸⁶

⁸⁰ MHCLG, [Launch of review into Council Tax Support](#), 2 December 2015

⁸¹ Eric Ollerenshaw OBE, [Three years on: An independent review of local Council Tax Support schemes](#), March 2016, pp33, 38

⁸² [Ibid](#), pp10, 13

⁸³ [Ibid](#), p10

⁸⁴ [Ibid](#), p11

⁸⁵ [Ibid](#), p11

⁸⁶ [Ibid](#), p13

Recommendations and Government response

The Ollerenshaw review made fourteen recommendations to Government and three to councils.⁸⁷ The Government published its [response](#) in 2018.⁸⁸ A summary of each recommendation and response is below:

- 1 The Government accepted that the **31 January deadline for schemes to be agreed** should be lengthened, moving it 11 March.
- 2 In response to allowing **multi-year or rolling schemes**, the Government said there is no statutory obligation for a billing authority to revise or replace its scheme, only to “consider” if it needs to do so.
- 3 The Government said it would not issue separate **guidance on consultation requirements** in order to clarify the process.
- 4 The Government argued that by moving the deadline to agree schemes to 11 March, **councils would be better able to respond to DCLG updates to the prescribed requirements regulations.**
- 5 The Government maintained its position that local residents should generally take financial responsibility and manage their own Council Tax payments and referred to [Good Practice in the Collection of Council Tax arrears](#). This was in response to the recommendation that the **Government should enable local Council Tax Support recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order.**
- 6 The Government said the DWP would work to **better share information with councils**, including in relation to Universal Credit claimants.
- 7 The Government said it understood council’s desire for flexibility **by localising at least part of the local Council Tax Support scheme for pensioners**, but said it had a “clear position” on protecting vulnerable groups, “especially low-income pensioners” and had no plans to allow local discretion.
- 8 The Government said it had no plans to **consider granting more local flexibility over other nationally-set Council Tax discounts, such as the single person discount.**
- 9 The Government also said it had no plans to **commission research to understand the impact of local Council Tax Support on individuals and councils.**⁸⁹
- 10 The Government decided it would not **commission in-depth academic research on the impact of local Council Tax**

⁸⁷ Eric Ollerenshaw OBE, [Three years on: An independent review of local Council Tax Support schemes](#), March 2016, pp14-15.

⁸⁸ MHLG, [The Government response to an independent review of local Council Tax Support schemes](#), January 2018

⁸⁹ PQ 163509 [[Local Council Tax Support Scheme Independent Review](#)], 18 July 2018

Support within the wider context of other welfare and socioeconomic changes.⁹⁰

- 11 In response to the recommendation to **be transparent about how much funding for local Council Tax Support is paid through Revenue Support Grant and be explicit about the future funding of Council Tax Support schemes**, the Government said it would consider how to proceed with local finance reform.
- 12 The Government agreed to **“intensify our engagement activities with councils through the existing forums”**.
- 13 On **requiring councils to state how much funding they intend to pass on to parishes**, the Government said it expected negotiations to occur locally.
- 14 **The Government said it had** no plans to roll local Council Tax Support schemes into Universal Credit.

The Local Government Association (LGA) agreed with all three recommendations in the Ollerenshaw review. These called upon authorities to work together to design future schemes, to ensure their debt collection practices were in line with Government guidance and were proportionate, and for local and central government to work closely to identify and support people struggling to pay.⁹¹

Other responses

In 2016, the Government drew criticism for the appointment of Eric Ollerenshaw, a former MP who had voted for the *Local Government Finance Act 2012*, as the report’s chair.⁹² The Government defended the independent nature of the review.⁹³

The CPAG and Z2K also criticised the review’s recommendations as being “written in isolation from the main report”, as it did not make sufficient recommendations relating to the use of bailiffs by authorities.⁹⁴ The charities called upon the Government to reinstate Council Tax Support as a national benefit providing up to 100% support for those people not in work. If it remained localised, the charities said, funding for support should be ring-fenced, data should be collected on the impact of the local schemes, and guidance should be issued to refrain local authorities from using enforcement agencies to recover debt from support claimants.⁹⁵

⁹⁰ PQ 12852 [[Council Tax Reduction Schemes](#)], 14 February 2020

⁹¹ MHCLG, [The Government response to an independent review of Local Council Tax Support Schemes](#), January 2018, p13

⁹² CPAG/Z2K, [Still too poor to pay](#), 2016, p28

⁹³ PQ HL 4728 [[Council Tax Support Schemes Independent Review](#)], 6 January 2016; PQ HL 5320 [[Council Tax Support Schemes Independent Review](#)], 3 February 2016.

⁹⁴ CPAG/Z2K, [Still too poor to pay](#), 2016,p29

⁹⁵ [Ibid](#), p31

5.2 Local Government Association report, 2015

The LGA's [Council Tax Support: The story continues](#) surveyed authority's reactions to the abolition of Council Tax benefit, receiving responses from 136 of 353 councils in England. It reported that:

Looking to the future, with a lack of transparency over Council Tax Support funding, it is almost inevitable that, if the funding regime remains the same, reductions in general council funding will lead to reductions in Council Tax Support. This will make the Council Tax more regressive.⁹⁶

The LGA called on the next Government to fully fund Council Tax Support, "acknowledging that the scheme to date has taken millions of pounds out of funding"; making transparent each council's allocation of funding for Council Tax Support in future settlements to aid planning and consultation; reform the Council Tax system and place more control locally, including over all aspects of the Council Tax Support scheme and Council Tax discounts such as the single person discount; and analyse the combined impact of all welfare reforms, including Council Tax Support, at a local level.⁹⁷

5.3 Social Security Advisory Committee Review, 2015

Following a [consultation](#) in 2014, the Social Security Advisory Committee published its [Localisation and social security review](#) in 2015. It reported evidence from stakeholders that the changes were:

- Resulting in a "postcode lottery" creating differential outcomes and access;⁹⁸
- Undermining the national network of specialist domestic violence refuges;⁹⁹

It also cited concerns from the LGA that "future cuts to the funding of this benefit 'would be borne in part by the working-age poor through a reduction in Council Tax Support, making the Council Tax more regressive,'" ¹⁰⁰ and that reductions in funding had made it difficult for authorities to exercise the discretion the Government had intended.¹⁰¹

The review said that local authorities, in principle, "seem to have welcomed the opportunity to take on greater responsibility"¹⁰² but noted their warnings on:

- Clarity around the definition of a 'local area';
- The reduced right of appeal for citizens;

⁹⁶ LGA, [Council Tax Support: the story continues](#), January 2015, p14

⁹⁷ [Ibid](#)

⁹⁸ Social Security Advisory Committee, [Localisation and Social Security: A Review](#), May 2015, pp23, 27, 28

⁹⁹ [Ibid](#), p25

¹⁰⁰ [Ibid](#), p28

¹⁰¹ [Ibid](#), p33

¹⁰² [Ibid](#), p19

- The loss of economies of scale and expertise, and
- The potential for local schemes to undermine national policy.¹⁰³

The Committee recommended for the Government:

- The DWP and DCLG (now MHCLG) work more closely together, and (by invitation) work with the devolved administrations to design and implement localised benefits to ensure national minimum standards;
- Ensure equivalence of outcome by drawing up a set of guidelines to specify the obligations and extent of discretion within which local authorities must discharge their responsibilities; and
- Develop clear protocols for ensuring support for vulnerable groups such as the homeless, disabled people and survivors of domestic violence and issue minimum standards for local authorities.¹⁰⁴

Government response

In [response](#), the Government said it accepted the benefit of cross-departmental working but stated it had no plans to design local benefits:

The government does not currently have any plans to design and implement newly designed or localised benefits, we would consider options to do so if they offered an opportunity to provide service users with better targeted help and support, while offering efficiencies to the taxpayers such as the better targeting of provision.¹⁰⁵

The Government also noted the Committee's comments about "advice deserts" and said it "continue[d] to put in place safeguards to manage vulnerable claimants".¹⁰⁶ In response to the recommendation the DWP and then-DCLG draw up guidelines, the Government said that "the new arrangements have [...] removed unnecessary reporting burdens" and had no plans to require local authorities to replicate previous reporting arrangements.¹⁰⁷

5.4 Public Accounts Committee, 2014

The Public Accounts Committee (PAC) report into [Council Tax Support](#) was critical of the degree to which local authority schemes had met the DCLG's objectives and the Department's knowledge of the impact of local schemes on vulnerable people. The then-Chair of the Committee, Margaret Hodge MP, said:

We found in 19 local authority areas, up to 225,000 people could lose more of their earnings – as a result of Income Tax and National Insurance contributions combined with the withdrawal of Council Tax Benefit and Housing Benefit – than under the previous national scheme.

¹⁰³ [Ibid](#), p20

¹⁰⁴ [Ibid](#), pp46-55

¹⁰⁵ DWP, [Social Security Advisory Committee review of localisation and social security: Government Response](#), 1 September 2015, para 2

¹⁰⁶ [Ibid](#), para 3

¹⁰⁷ [Ibid](#), para 5

[...] For them, work incentives have actually weakened rather than strengthened – the opposite of what the Government intended.¹⁰⁸

The Committee made six recommendations. The Government's [response](#) agreed with all the recommendations and intended to implement them all by 2016.

The recommendations included that the Department should:

- Develop coherent guidelines to set out local authorities' discretions and obligations, and how the Government would respond if it believes a local authorities' actions jeopardise its objectives, especially relating to work incentives and welfare reform
- Assess the impact of welfare changes, including to Council Tax Support, on demand for local authority services to inform future funding decisions
- Work with local authorities to recalculate its funding to help meet additional burdens (such as in collection costs)
- Collect information on the financial impact of Council Tax Support Schemes on vulnerable groups, and regional variations
- Develop and publish, with the DWP, plans for data sharing between Universal Credit and Council Tax Support Schemes
- Commission an independent review to assess the extent the Department met its objectives with the policy change.¹⁰⁹

The Committee report followed research undertaken by the National Audit Office (NAO) in 2013. The NAO said that some authorities had "designed schemes...that reduce work incentives for some individuals" and protections for vulnerable groups (such as the disabled, carers and single parents with children under five) "vary widely" across councils.¹¹⁰

¹⁰⁸ PAC, [Work doesn't pay for some after Council Tax policy change](#), 11 March 2014

¹⁰⁹ PAC, [Council Tax Support](#), HC 943, 5 March 2014, paras 2-7

¹¹⁰ NAO, [Council Tax Support](#), December 2013, paras 10, 14, 3.11

6. Scotland & Wales

6.1 UK Government statements

The DCLG's [Localising Support for Council Tax in England](#) (2011) said the UK Government expected the Devolved Governments to put forward their own proposals on Council Tax Benefit, as local Government finance is devolved to Scotland and Wales.¹¹¹

The then Minister, Lord Freud, explained to the House of Lords how the abolition of Council Tax Benefit (CTB) impacted on the devolved administrations:

CTB is not being devolved. Under Clause 33, it will be abolished and funding made available for local schemes in England. The devolved Administrations will be funded through the Barnett formula to bring forward new schemes within their existing competence. If a future Government so decided, Clause 11, which covers housing costs, is sufficiently broad to give legislative cover to include support for Council Tax costs in Universal Credit.

Scotland and Wales already have the executive powers to establish schemes based on applying discounts to Council Tax. I can assure my noble friend that social security remains absolutely reserved as a UK matter and that localisation funding does not affect this.¹¹²

6.2 Scotland

Prior to the changes, the Convention of Scottish Local Authorities (CosLA) told the Local Government Select Committee in June 2011 that, "on balance", it believed that "the risks of centralising CTB into the Universal Credit are greater than those posed by devolution".¹¹³

Structure and entitlement

The Scottish Government introduced a Council Tax Reduction Scheme in 2013/14.¹¹⁴ Entitlement in Scotland closely replicated that for Council Tax Benefit. In 2017/18, the Scottish Government ended the freeze on Council Tax that had been in place from 2008/9 and resulting changes occurred in the Council Tax Scheme.¹¹⁵ This included increasing the child element of the applicable amount within the scheme by 25% (the applicable amount being the income an individual can receive without it affecting any claim).¹¹⁶

Receipt of four passporting benefits: Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Pension Credit (Guarantee Credit), automatically qualifies the recipient for a full Council Tax Reduction. An income assessment is undergone by applicants not in receipt of a passporting

¹¹¹ DCLG, [Localising support for Council Tax in England: Consultation](#), 2011, para 11

¹¹² [HL Deb 12 December 2011 c1068](#)

¹¹³ Convention of Scottish Local Authorities, [Written evidence to the Communities and Local Government](#), LWR 16, June 2011

¹¹⁴ [The Council Tax Reduction \(Scotland\) Regulations 2012](#), as amended.

¹¹⁵ Scottish Government, [Council Tax Reduction in Scotland 2017/18](#), 27 June 2018, para 1

¹¹⁶ Scottish Government, [Council Tax Reduction in Scotland 2019/20](#), 24 June 2020

benefit, and who have less than £16,000 in savings. Depending on their income, either a full reduction is awarded or a proportionate reduction.¹¹⁷

In response to the Coronavirus outbreak, the Scottish Government announced an additional £50 million to meet anticipated increases in applications for the Reduction scheme and Scottish social security benefits.¹¹⁸ The Government also made [The Council Tax Reduction \(Scotland\) Amendment \(No. 3\) \(Coronavirus\) Regulations 2020](#) to increase the additional earnings disregard from £17.10 to £37.10. The regulations took effect on 6 April 2020 and will cease to have effect on 4 April 2021.

The Scottish Government has sought to convene cross-Party talks to identify a replacement to Council Tax. If there is agreement, the Government intends to bring forward legislation on the issue in the 2020/21 Parliamentary Session.¹¹⁹

The Scottish Parliament Information Service published a briefing on [Council Tax Reduction](#) in Scotland in March 2017. Citizens Advice Scotland provide a guide on [How to get a Council Tax Reduction](#).

Funding

The Scottish Government and CoSLA announced that they would collectively provide an extra £40 million of additional funding to replace the 10% funding cut by the UK Government.¹²⁰

Reports

Citizens Advice Scotland (CAS) in May 2019 said that an estimated 80,000 low income households in Scotland could be paying too much Council Tax. It also said that Council Tax arrears was the top debt issue seen by CAS network in 2017/18, at 17,197 cases.¹²¹

StepChange debt charity published [Council Tax: A growing problem](#) in 2019. The charity said that since 2010, the proportion of their clients with Council Tax arrears had doubled, from 18% to 36%. The report recommended that “councils should be made to take a balanced, proportionate approach to arrears collection, as well as actively promoting free debt advice for indebted constituents.”

Recipients

The number of households receiving Council Tax Reductions in Scotland fell from 543,220 in April 2013 to 469,370 in March 2020 (a 15% decline). All local authorities in Scotland saw a decrease in recipient numbers over this period.¹²²

¹¹⁷ Scottish Government, [Council Tax Reduction in Scotland 2019/20](#), 24 June 2020, Glossary

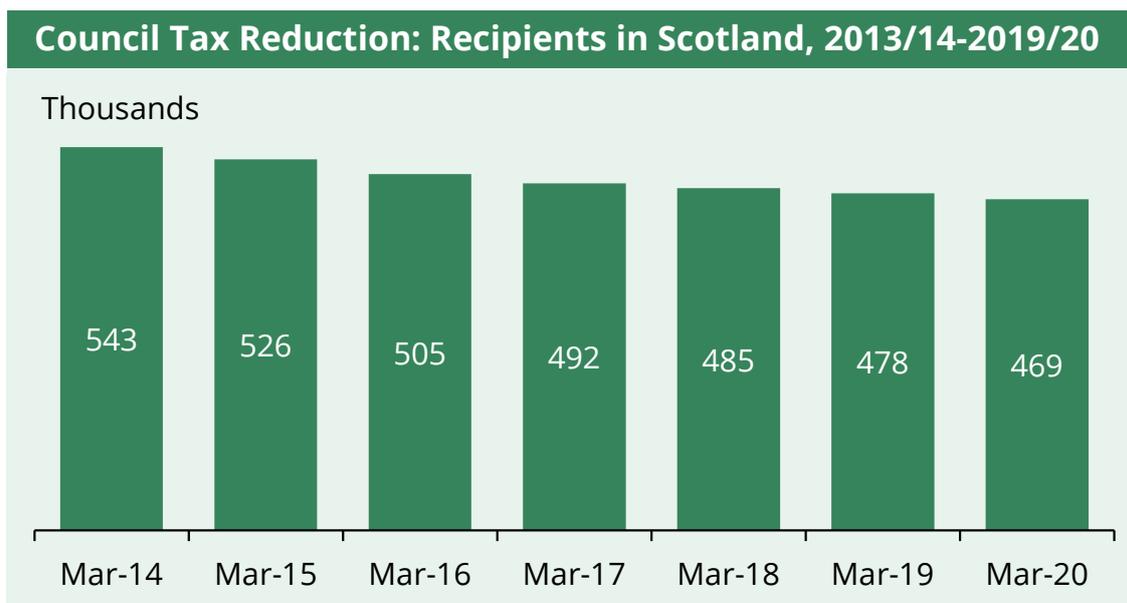
¹¹⁸ Scottish Government, [Helping communities affected by COVID-19](#), 18 March 2020

¹¹⁹ Scottish Parliament Official Report, [Meeting of the Parliament of 5 March 2020](#), Q S5F-04011, Council Tax Debt

¹²⁰ Scottish Government, [Council Tax Reduction](#), archived 27 July 2016

¹²¹ CAS, [Thousands of Scots missing out on vital Council Tax relief](#), May 2019

¹²² Scottish Government, [Council Tax Reduction in Scotland 2019-20](#), June 2020, para 2.1



Source: Scottish Government, [Council Tax Reduction in Scotland: Supplementary Tables](#), June 2020, 1.1

6.3 Wales

Structure

The Welsh Government's Council Tax Reduction Scheme closely aligned with the former Council Tax Benefit.¹²³

Applicant entitlement to means-tested out-of-work benefits (Employment Support Allowance, Income Support, Job Seekers Allowance, Pension Credit and Pension Credit Guarantee) continue to qualify automatically for the maximum reduction (currently 100%). For other households, entitlement is calculated through a means-test which mirrors the approach previously used to calculate entitlement to Council Tax Benefit. Applicants with savings of more than £16,000 are not entitled to any support unless they are in receipt of Pension Credit Guarantee.¹²⁴

The Welsh Government's [Council Tax Reduction Schemes in Wales: Annual Report](#) (2014) pages 6-7 set out the means-test process. Citizens Advice also provide a [guide](#) to the reduction scheme in Wales.

Under the Regulations, each local authority in Wales must adopt its own scheme for the following financial year by 31 January. These schemes include areas of local discretion. Areas of local discretion where authorities can choose to implement more generous provisions than provided for in the Regulations are:

- **Extended reduction period** – local authorities may increase the period during which eligible households are entitled to continue

¹²³ Welsh Government, [Council Tax Reduction Schemes in Wales: Annual report](#), 2014, p5; [Council Tax Reduction Schemes and Prescribed Requirements \(Wales\) Regulations 2013](#); as amended and [The Council Tax Reduction Schemes \(Default Scheme\) \(Wales\) Regulations 2013](#), as amended.

¹²⁴ [Ibid](#), p6; Welsh Government, [Are you eligible to pay less Council Tax?](#), 2019

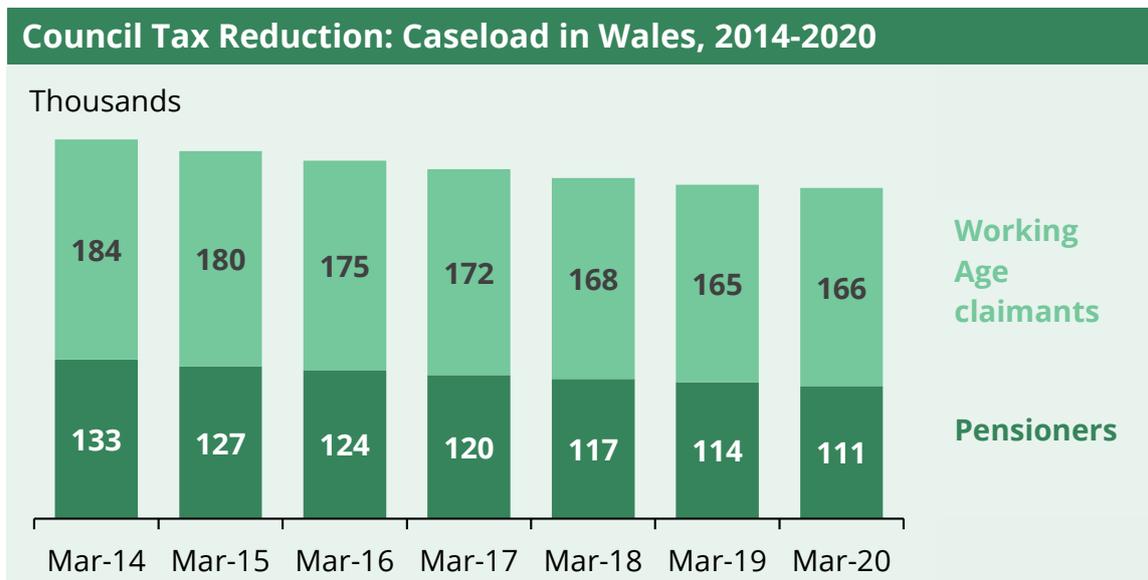
to receive a reduction in certain circumstances, beyond the standard four-week period.

- **Backdating of applications** – local authorities are able to backdate applications for reductions beyond the standard three-month period.
- **War Disablement Pensions and War Widow's Pensions** – local authorities are able to disregard more than the statutorily prescribed £10 of the money received in respect of these pensions when calculating income.¹²⁵

Funding

The 10% reduction in funding meant that £222 million was transferred to Wales for 2013/14. The Welsh Government provided an extra £22 million to “support local authorities in providing all eligible households with their full entitlement to support”. Subsequently, the same level of support for councils has been maintained.¹²⁶

Recipients



Source: Government Social Research for Welsh Government, [Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and Rent arrears in Wales: Final](#), July 2020, p46

The overall number of claimants for Council Tax Reduction Schemes in Wales has fallen every year from 2013/14 to 2019/20, from a total of 316,732 to 275,042 (a 13.2% decline). In its [2019/20 Annual Report](#), the Welsh Government said that there were a range of potential reasons for the decline in the overall caseload of working-age households, including people exiting the benefit system due to better economic conditions, and welfare reforms. The fall in pensioner caseload was potentially associated with an increase in the state pension

¹²⁵ Welsh Government, [Council Tax Reduction Schemes in Wales: Annual Report](#), 2014, p7

¹²⁶ Policy in Practice, [Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and rent arrears](#), July 2020, paras 4.1, 4.6

age for women and newer cohorts of pensioners tending to have higher incomes.¹²⁷

One of the Welsh Government's responses has been to launch an [online eligibility checker](#) to encourage uptake and awareness of Council Tax Reduction Support.¹²⁸

Reviews & reports

1 Universal Credit and the Council Tax Reduction Scheme, 2020

The Welsh Government commissioned [Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and rent arrears](#) (July 2020) to assess the impact of Universal Credit.

The report concluded that "the move to Universal Credit can have a significant impact on Council Tax reduction awards for working households who do not receive support based on 100% of liability in Wales" and that it may also have an impact on the reduction in caseload. The report said that "some claimants did not realise that the application process for a Council Tax reduction was separate to applying for Universal Credit" and the Welsh Government and local authorities may need to develop initiative to range awareness.¹²⁹

The Welsh system also has taper rates. This is the rate at which benefits are withdrawn when a claimant has earned income above the level of the applicable amount. The report recommended that "to help mitigate the impact for those who lose under Universal Credit, the Welsh Government could introduce a scheme amendment to reduce the taper rate from the current 20% to 10%".¹³⁰

The Welsh Government said that "the findings will allow us to consider policy levers which could help to improve the circumstances of those who are negatively affected by Universal Credit".¹³¹

2 Ollerenshaw Review, 2016

The [Ollerenshaw Review](#) considered schemes in Wales. It said that Welsh Councils had faced a lower administrative burden compared to England, and there had been a "minimal impact on issues around fairness", the report cited the low number of appeals relating to Council Reduction in Wales. The report endorsed the transparency provided towards funding levels.¹³²

¹²⁷ Welsh Government, [Council Tax Reduction Schemes in Wales](#), July 2020, pp9-10, 15

¹²⁸ Welsh Government, [Consultation document: Removal of the sanction of imprisonment for the non-payment of Council Tax](#), June 2018, paras 10, 11

¹²⁹ Policy in Practice, [Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and rent arrears](#), July 2020, p160

¹³⁰ [Ibid](#), p23

¹³¹ Welsh Government, [Written Statement: Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales- Final](#), 29 July 2020

¹³² Eric Ollerenshaw OBE, [Three Years On: An independent Review of Local Council Tax Support Schemes](#), 2016, pp88-90

3 Review of Council Tax Support, 2014

Following a [2014 review](#), the Welsh Government said it would maintain entitlements to Council Tax Support through a single national framework scheme, as previously introduced.¹³³

4 Annual Reports

The Welsh Government publishes Annual reports on the [Council Tax Reduction Scheme](#), which include statistics on the scheme in Wales.

¹³³ Welsh Government, [Council Tax Support-Review](#), June 2014

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