

# COUNCIL TAX BEST PRACTICE

This research examines the various Council Tax Support (CTS) schemes brought in across England since 2013. The study sought examples of best practice, and how schemes can be designed to protect both the revenue of local authorities and the incomes of their least well-off residents.

## Key points

- Schemes varied in type and the minimum payments expected of claimants. There were no obvious patterns by political control, demography or location.
- Among those local authorities choosing to bring in a new system rather than absorb the cost of their 10 per cent cut in funding for CTS, approaches varied significantly. Some opted for a transition scheme in the first year. Others felt that the schemes they had devised were the best available.
- Some councils had opportunities to recoup costs by, for instance, removing exemptions on second homes. These options are not available to all councils, but should be pursued where possible.
- While the design of the schemes may now be settled, implementation is ongoing. There were several examples of innovative working both within councils and with the third sector to ensure that residents were informed of changes and made aware of how they would be affected.
- While many councils have so far resisted using bailiffs or court summons for CTS debts, many now have residents with two or more years' outstanding payments. The sustainability of the current mix of scheme design on the one hand and collection and enforcement policy on the other is therefore under question.
- As it stands, it is hard to see how the many CTS schemes can be integrated with Universal Credit (UC). The variation at local level is the opposite of the national standardisation in UC.

## The research

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# BACKGROUND

In 2013, Council Tax Support (CTS) replaced Council Tax Benefit (CTB), which gave low-income households a discount on their Council Tax. CTS differs from CTB in two ways: it replaces a national system with schemes for each local authority in England; and each council's total funding has been cut by 10 per cent. Each local authority has devised its own scheme, and is also responsible for any shortfall or surplus in the CTS budget.

## Overview of schemes

Councils had nearly full autonomy to create and amend their CTS schemes, with one major requirement: pensioners must receive the same support as offered under CTB. In devising its scheme, a council needed to balance protecting the incomes of its least well-off residents and protecting its own income. Table 1 categorises councils according to whether their CTS schemes were best for claimants or the council.

**Table 1: CTS schemes' impact on councils and claimants**

Impact on council/ impact on claimant	1. High cut in support, no protections	2. Medium cut in support, no protections; or large cut in support, protections	3. Low cut in support, no protections; or medium cut in support, protections	4. Low cut in support, protections	5. No cut in support	Total
1. Worst for council; <5% of funding shortfall recouped			2	1	76	79
2. 5-65% of funding shortfall recouped		8	46	21		75
3. 65-95% of funding shortfall recouped	5	29	35	6		75
4. Best for council; 95%+ of funding shortfall recouped	31	56	9			96
Total	36	93	92	28	76	325

Councils could not protect all their income and all of claimants' income. More authorities absorbed the cut fully and protected all claimants (76 councils) than passed on the cut in its entirety (31).

There was little relationship between councils' political control and the schemes they devised, nor any obvious pattern by geography or demography. Some councils with high claimant numbers chose to absorb the cut, as did some areas with low numbers. Some urban areas set schemes to maximise revenue, as did some rural areas. The study focused on the one-third of councils who tried to protect either their own or claimants' income entirely.

## Designing a scheme

Councils had various options when designing a scheme. Most common was a minimum payment, set as a percentage of the Council Tax due. In the first year, many chose a transition scheme of a minimum payment of 8.5 per cent or less for all CTS claimants. All councils can raise or lower minimum payments

according to how much they want to recoup and the anticipated effects on CTS recipients. But certain councils have options that others do not. For instance, two of the councils interviewed had removed exemptions on second or empty homes. This was a viable option for them, but large urban areas have few second homes and could not raise revenue in this way.

Councils have brought in special protections, for instance for working-age disabled people. Some of those interviewed chose to protect disabled people's incomes; others did not. Some councils not opting for this protection said that the cost would be a greater burden on other less well-off, if less vulnerable, groups. In some cases, councils had to recoup the costs of CTS from other parts of the scheme rather than other parts of the council budget. They saw central government passing on CTS costs while restricting the ability to raise revenue through Council Tax as unfair.

Several councils worried about the overlapping effects of welfare reform, including localised CTS, the under-occupation penalty (also known as the 'bedroom tax') and benefit caps. Some pooled resources across departments and shared information on the likely impacts of changes.

## Outreach and advice

Those councils who chose not to absorb the costs had to reach out to residents who would now pay Council Tax for the first time. Councils adopted different approaches, from mail-outs to targeted interventions and one-stop shops. All felt they were at least partially successful in collecting more revenue and avoiding court summonses or bailiffs later on. Councils also worked with advice services provided internally or by other organisations. Braintree funded a post with the local Citizens' Advice Bureau; another council helped produce a bid for more local funding.

## Collection

For councils setting the harshest schemes, the anticipated increase in arrears and fall in collection rates were mostly not as bad as expected. Public attention has at times turned to the economic and social costs of implementing stringent rules for non-payment of Council Tax, issuing court summons and calling in bailiffs; some councils sought to avoid this.

Some councils decided not to issue court summons initially, with 2013–14 as a transition year. Thanet agreed before introducing its scheme not to take anyone claiming CTS to court, as the cut in support was only £40–£50; court costs would have far exceeded this. However, councils now have residents owing two or more years of Council Tax, and costs are beginning to mount. The cost-benefit equation on using summonses is starting to change.

## Incorporating Universal Credit

Universal Credit (UC) was originally intended to incorporate CTB, but does not incorporate CTS. Nor is it obvious how it would do so. Administration is the primary issue: UC is a national system, CTS a set of local ones. The technicalities of integration would be substantial. The systems' aims are also very different. UC is about simplification and standardisation; CTS is about local choice. UC is about improving work incentives; CTS almost always weakens work incentives. None of the literature this study reviewed was able to square these circles, though the changes in work incentives under most CTS schemes are not large.

This may prove academic. Councils currently receive funding to deliver and process Housing Benefit and CTS schemes. As UC replaces Housing Benefit, this funding may reduce, so the capacity to design and run local schemes will diminish. Necessity may result in integrating CTS and UC. Local variation may then reduce to setting minimum payment levels, much like local authorities setting overall Council Tax levels.

## Conclusion

The design of CTS schemes should be largely settled by now, the third year of operation. However, over 100 councils have changed their schemes in the last two years. Minimum payments have mostly risen; the most common is 20 per cent. However, a few councils have reduced their minimum payment.

This situation where minimum payments are mostly increasing, but decreasing where authorities initially set high minimum payments (over 20 per cent), relates to what councils reported concerning arrears, collection and recovery. Some with a minimum payment of around 20 per cent anticipated that requiring CTS claimants to pay more Council Tax would backfire, resulting in higher arrears and lower collection. Others anticipated 'hidden' costs of administration, collection and recovery when they designed their schemes and absorbed the cut. These hidden costs are now being revealed in councils that have cut support for three years.

While scheme design may be settled, implementation is ongoing. As councils wrestle with increasing payment backlogs, the lessons on outreach and advice may become relevant again.

One big unknown relates to Universal Credit. There is no central guidance on how to integrate CTS, though it may be forthcoming later this year. But it is hard to see how schemes would integrate in their current form without placing a huge administrative burden on a new, untested system for benefit payments.

Some councils have looked to contain the costs within their CTS scheme; some have used other budget areas to subsidise part of it. Some councils are fortunate: their demography or geography has allowed them to make savings others cannot. Some councils felt there was no 'good' system of CTS for them or their residents. Best practice can only go so far when the need to cut costs is coupled with restrictions on raising revenue.

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## About the project

The study reviewed literature and examined English local authorities' CTS schemes. It then focusing on one-third of authorities, the study chose councils with different types of political control and in different parts of the country. Interviews with staff from 14 councils, mainly in revenue and benefits departments, discussed why they chose their particular schemes, what challenges they faced, which aspects worked and which needed changing.

## FOR FURTHER INFORMATION

The full report, **Council Tax best practice**, is published by the New Policy Institute. It is available to download at <http://npi.org.uk/publications/>

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