

The impact of localised council tax support schemes

Robert Joyce

Institute for Fiscal Studies

From joint work with Stuart Adam and Thomas Pope

Social Security Advisory Committee, 24 July 2019

Overview of this talk

1. Policy background: what happened, and who was impacted?

2. Our research on the effects of these reforms: lessons for policy

Policy background: what happened, and who was impacted?

Council tax support (CTS)

Means-tested reduction in council tax bill

Claimed by 4.9m households across Britain in 2017-18

- More than any other means-tested payment

Cost local authorities (LAs) £4.1bn

- Reducing council tax revenue by 11% to £33bn

£1.8bn went to the 2.4m working-age claimants in England

- Average award of £770 per year

The reforms – funding cuts and localisation

Local CTS replaced national council tax benefit (CTB) in 2013–14

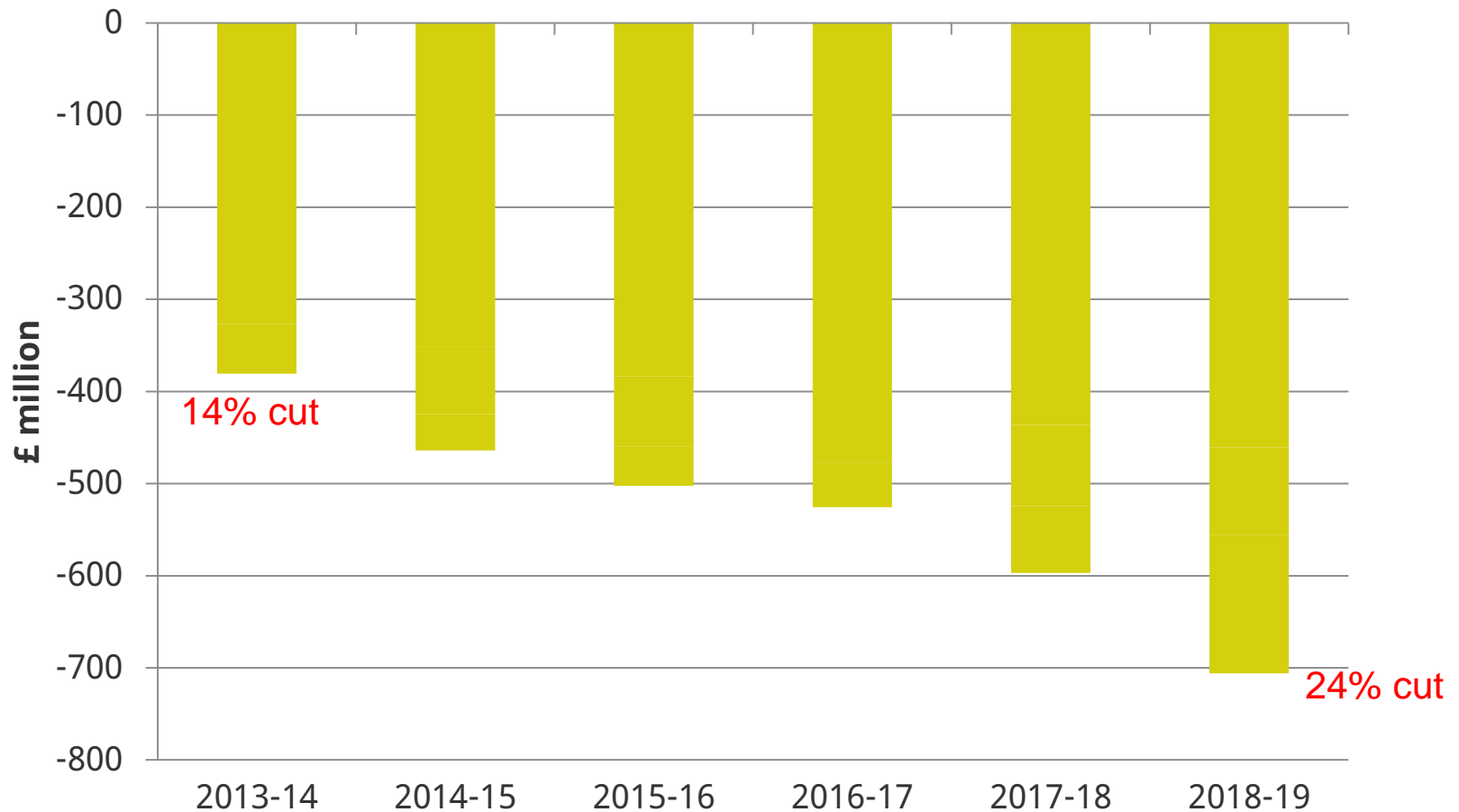
- 326 LAs in England, and Scottish and Welsh governments, became responsible for designing CTS for working-age claimants
- Pensioner entitlement set nationally (and largely protected)
- Funding cut: given grants equal to 90% of what CTB would have cost
 - Equivalent to cut of more than 10% of cost of **working-age** CTB

We'll focus on working-age households in England

- Devolved govts kept previous schemes, largely unchanged

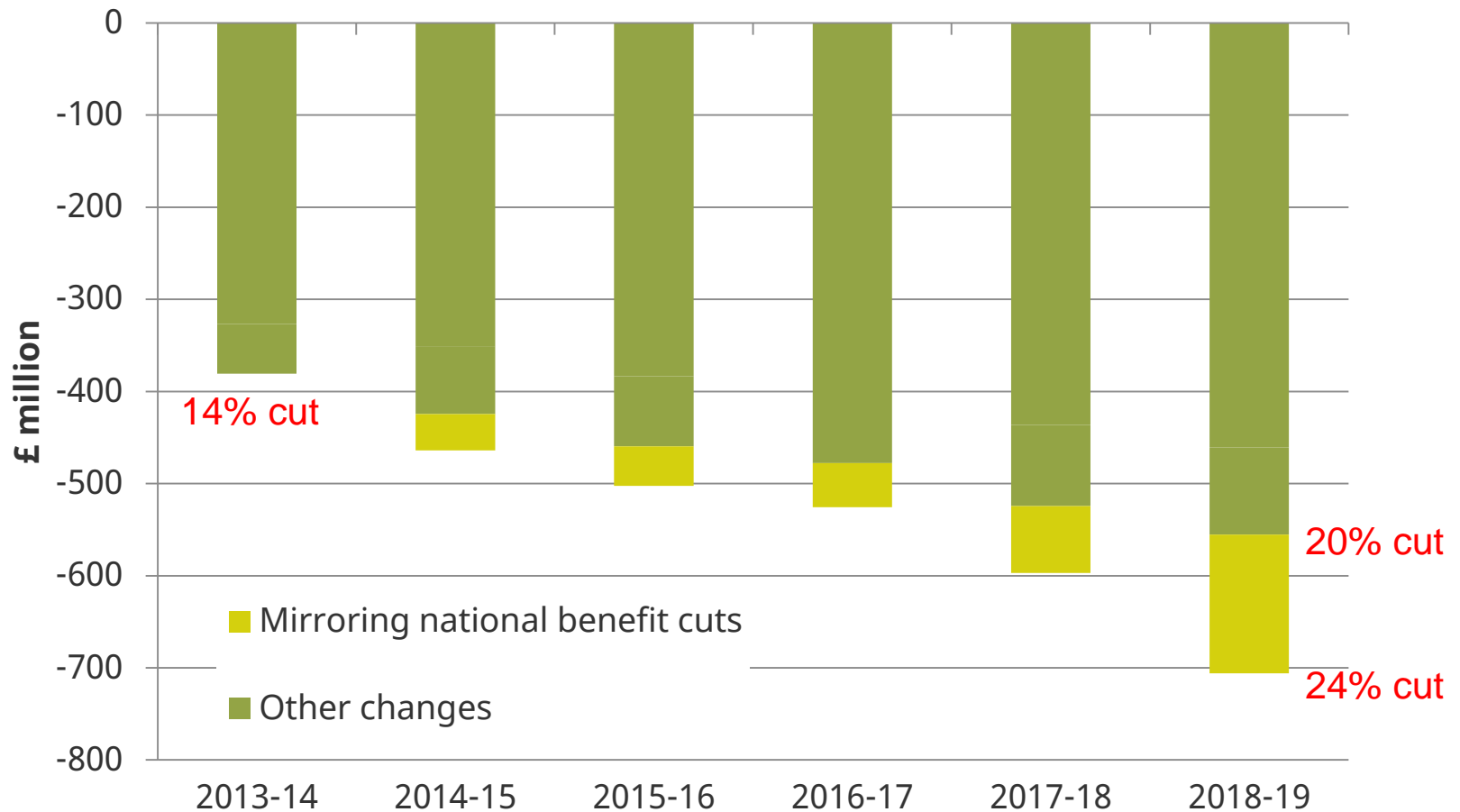
Universal credit has important implications – but not for today

Cut to working-age entitlements in England



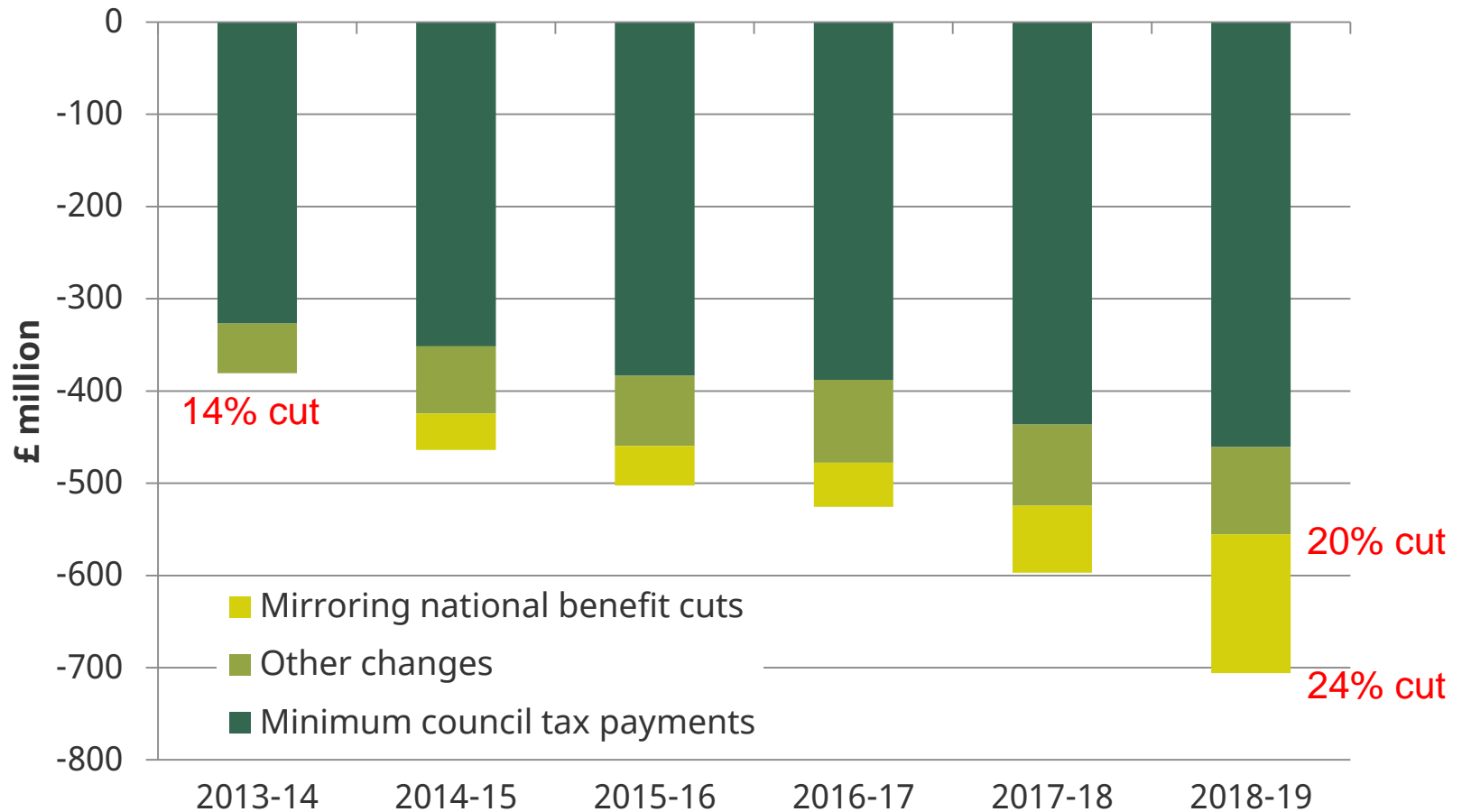
Notes and sources: See Figure 3.3 of *The impact of localised council tax support schemes*

Cut to working-age entitlements in England



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Cut to working-age entitlements in England



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Losses from the cuts in place by 2018-19

The 3.6m households that would have been entitled to CTB lose £196 per year, on average

1.4m households have a bill they would not have had under CTB

- 1.3m if exclude changes that mirror cuts to national benefits

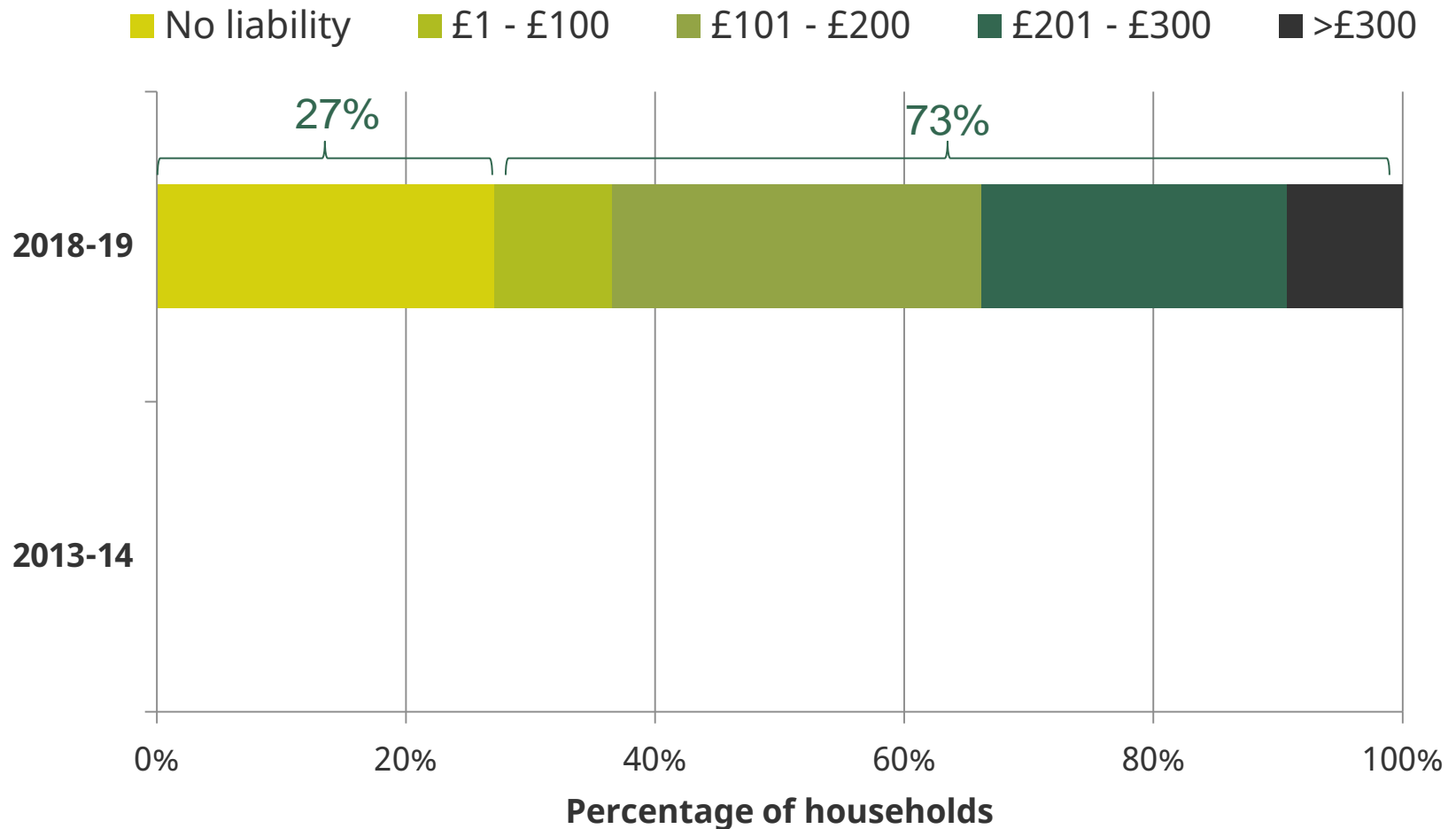
1.6m face a bigger bill than they would have under CTB

- 1.2m if exclude changes that mirror cuts to national benefits

0.5m still have no bill to pay

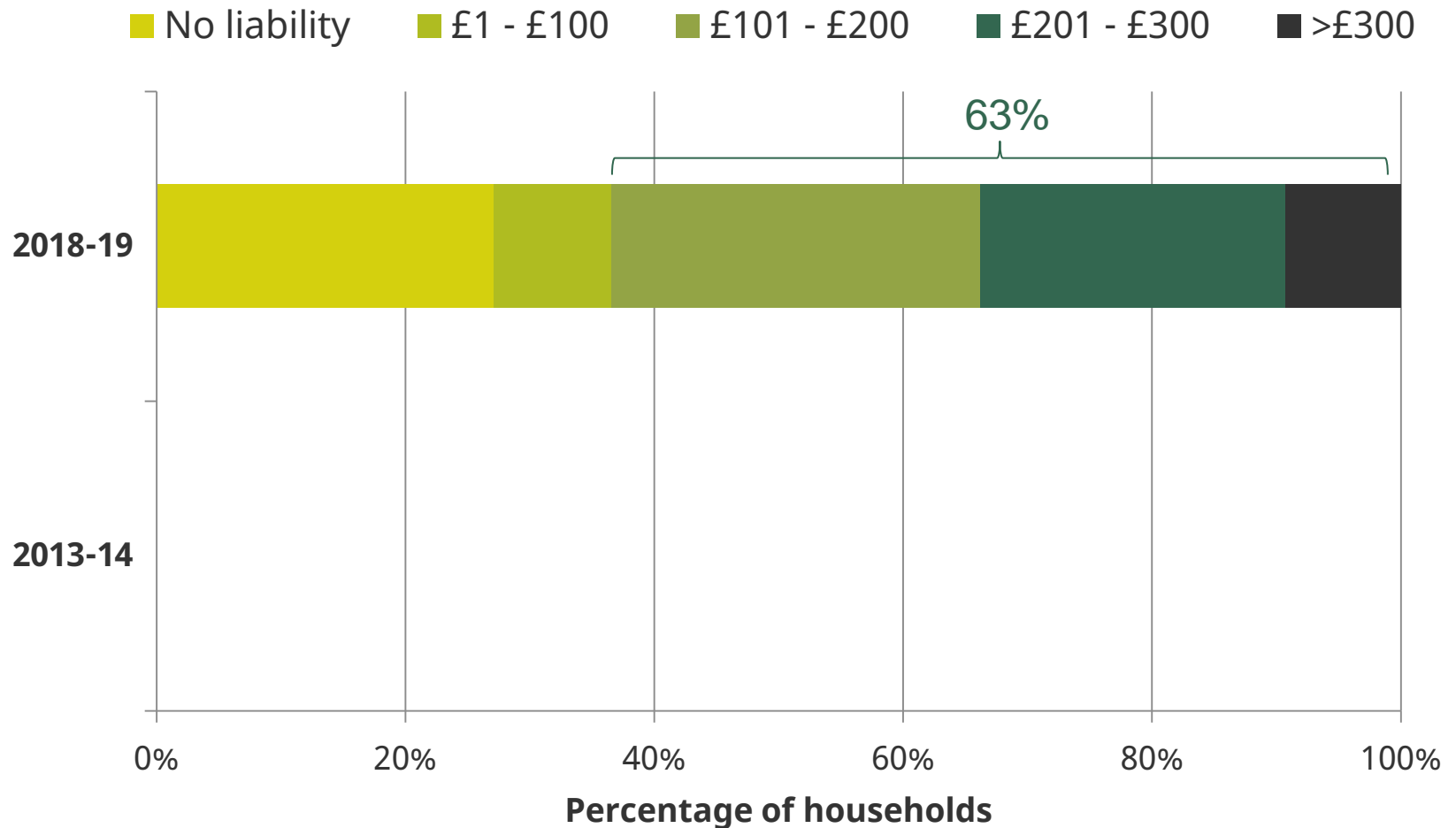
- $\frac{2}{3}$ in LAs with no minimum payment, $\frac{1}{3}$ in group protected by their LA

Net council tax liabilities among those who would have been entitled to full CTB



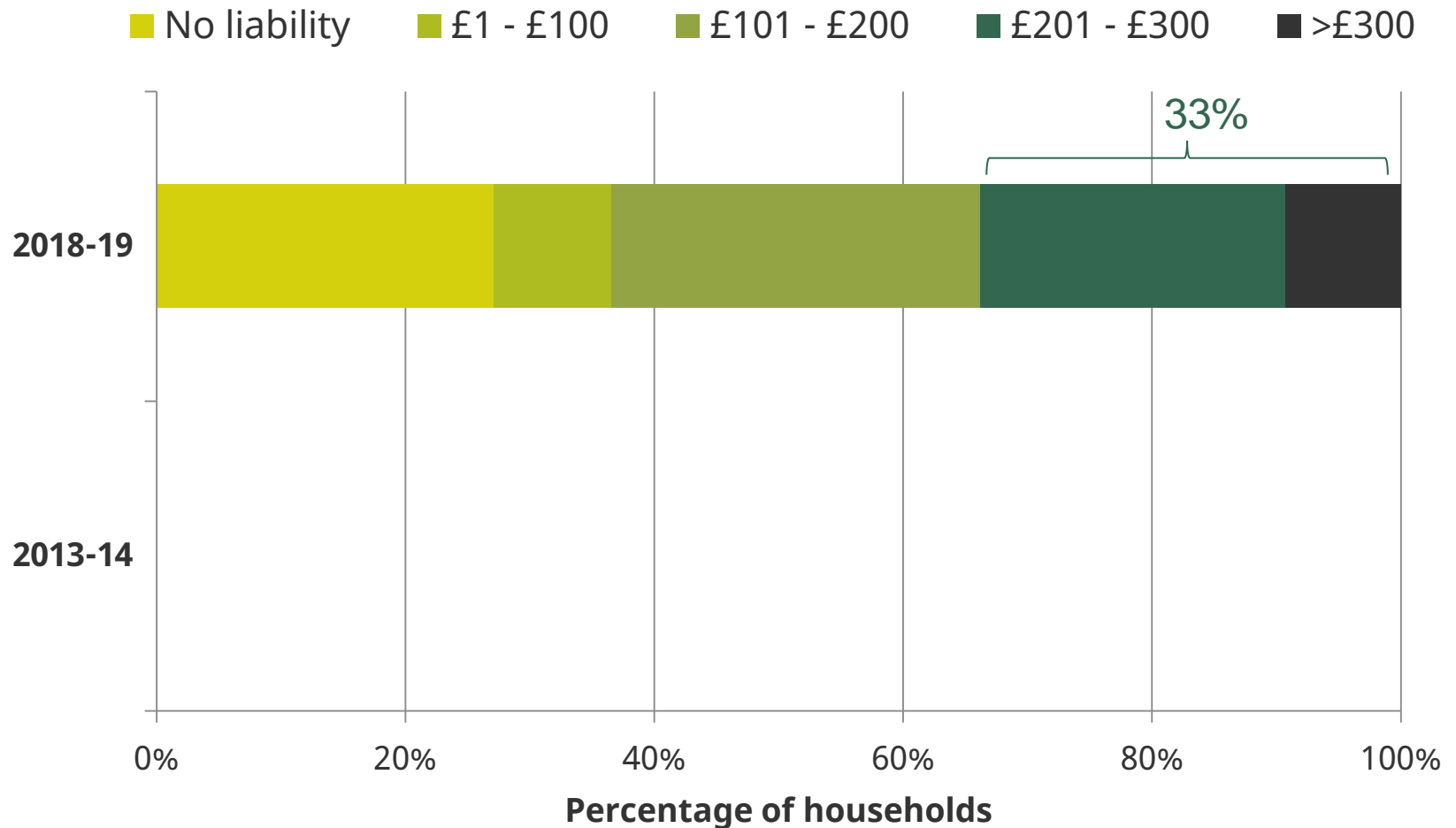
Notes and sources: Working-age households in England only. See Figure 3.5 of *The impact of localised council tax support schemes*

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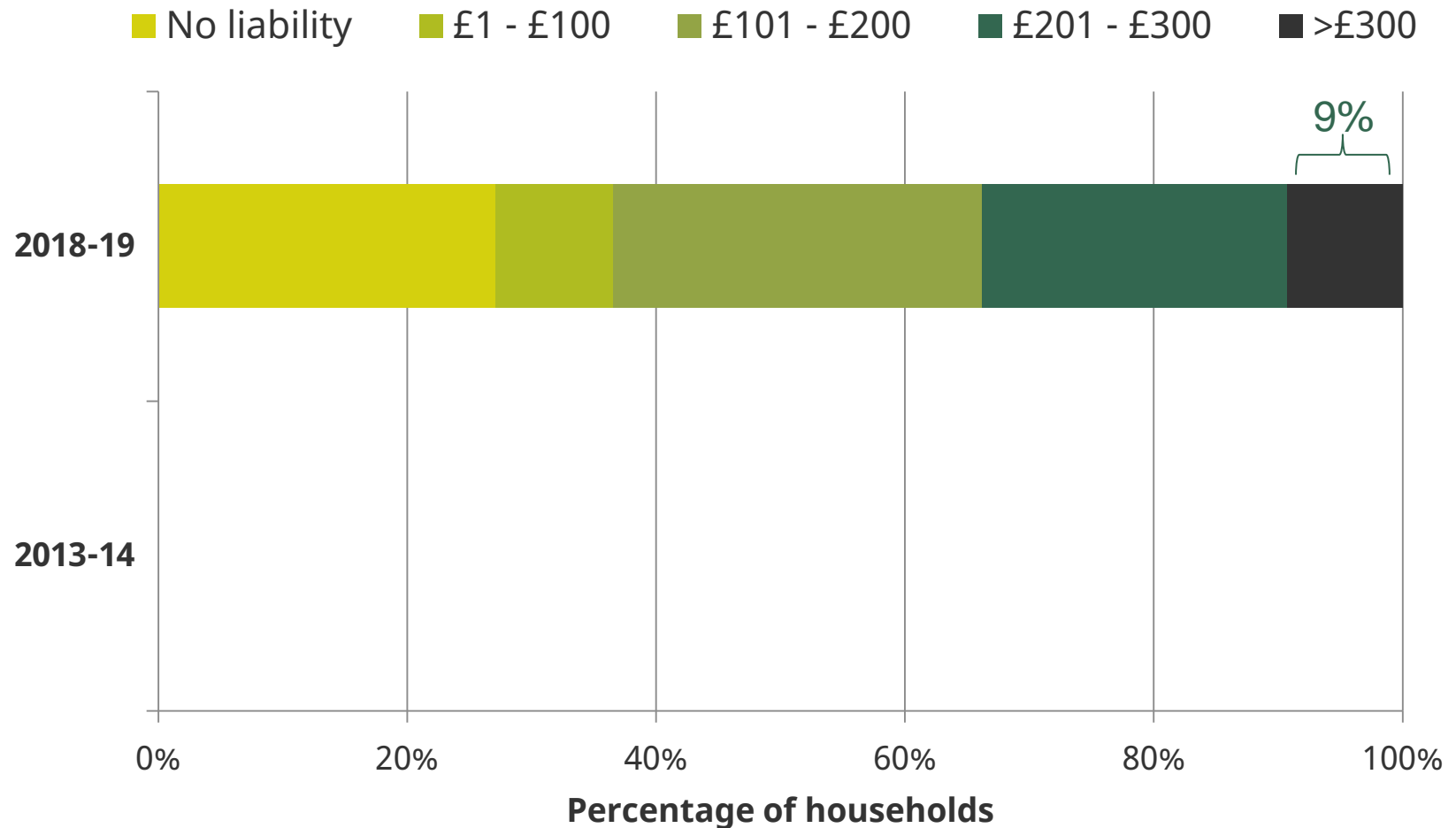
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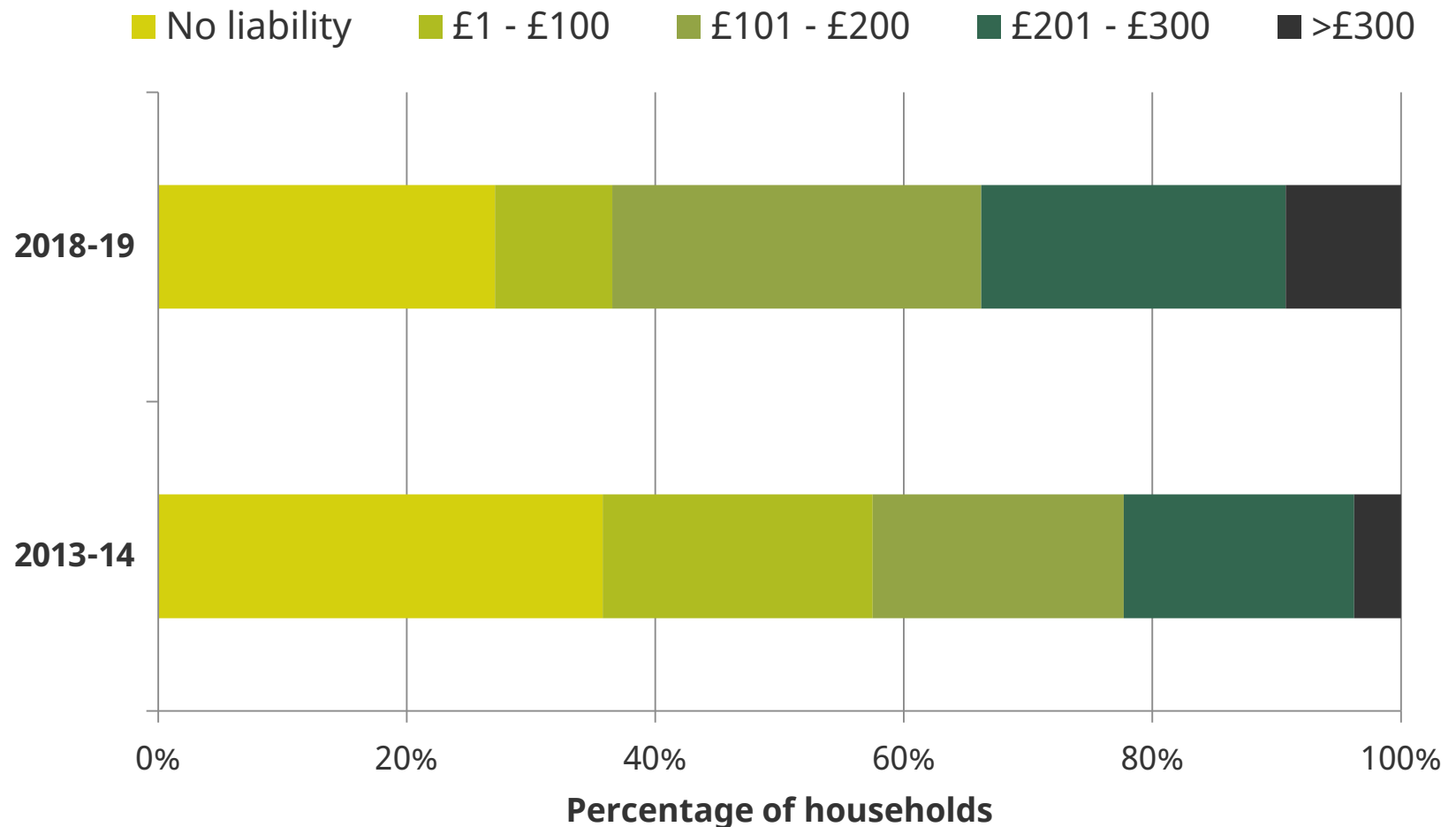
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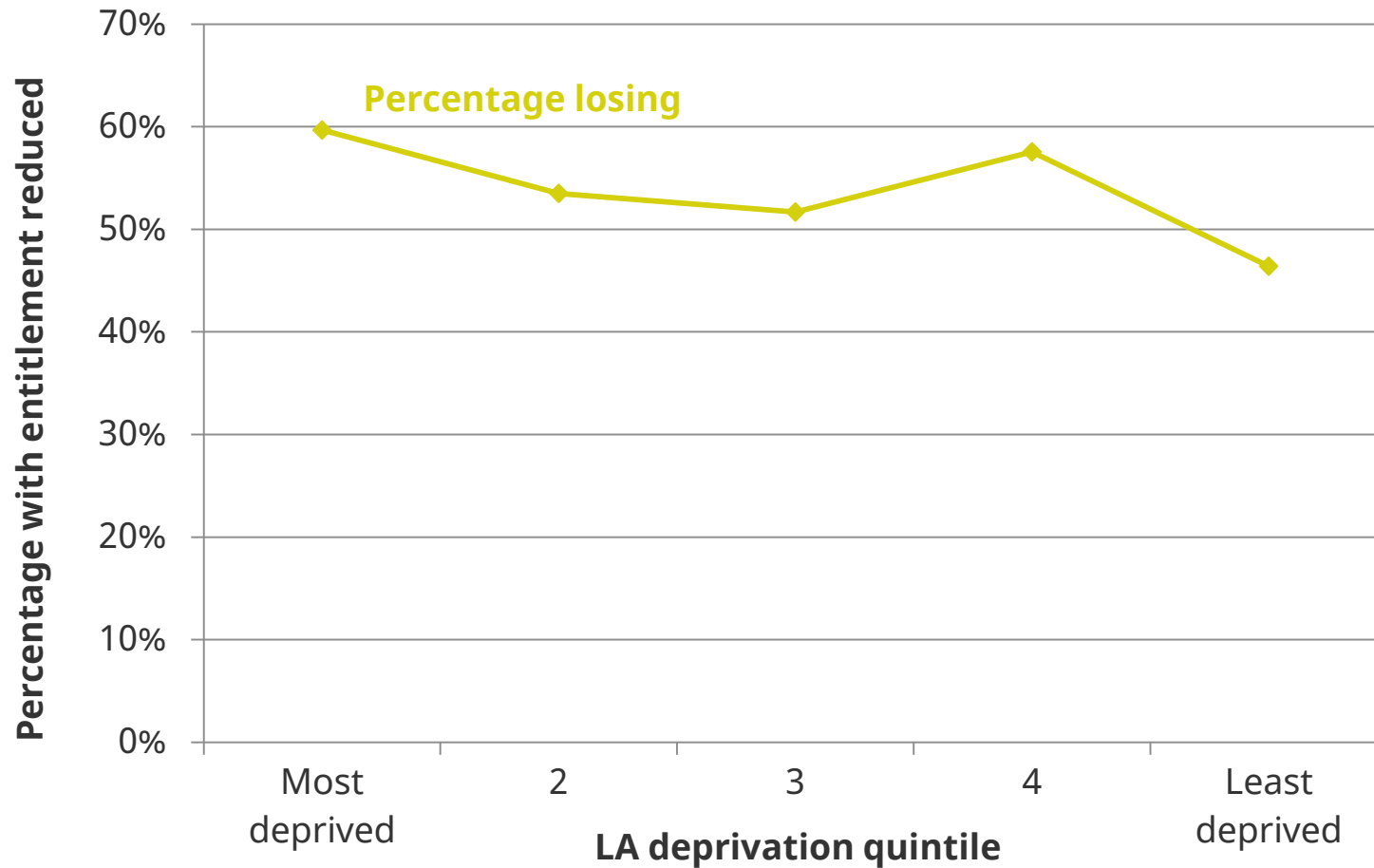
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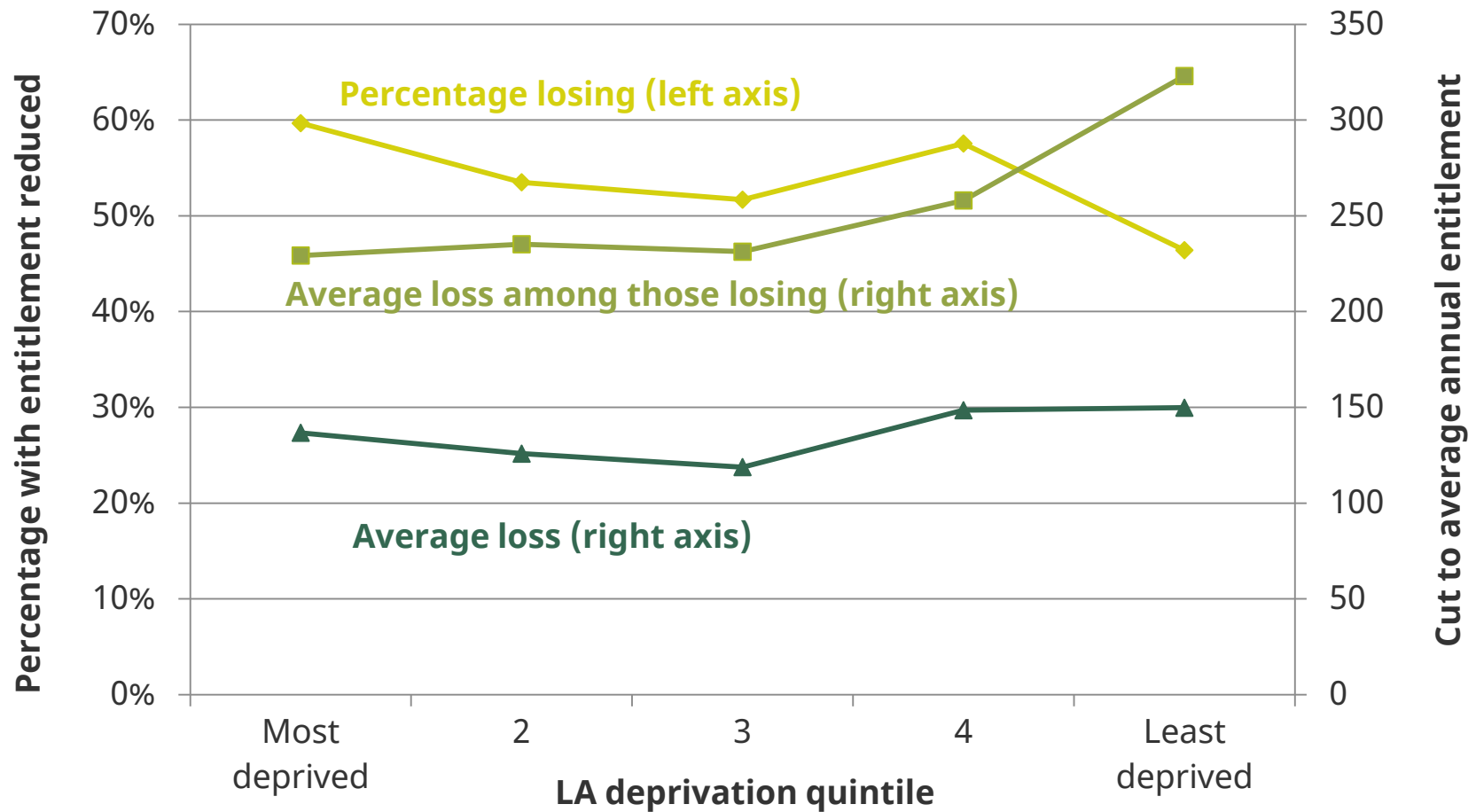
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Low-income working-age people more likely to lose support if they live in a poor area...



Notes and sources: See Figure 3.8 of *The impact of localised council tax support schemes*

...but biggest losses tend to be among low-income people in more affluent areas



Notes and sources: See Figure 3.8 of *The impact of localised council tax support schemes*

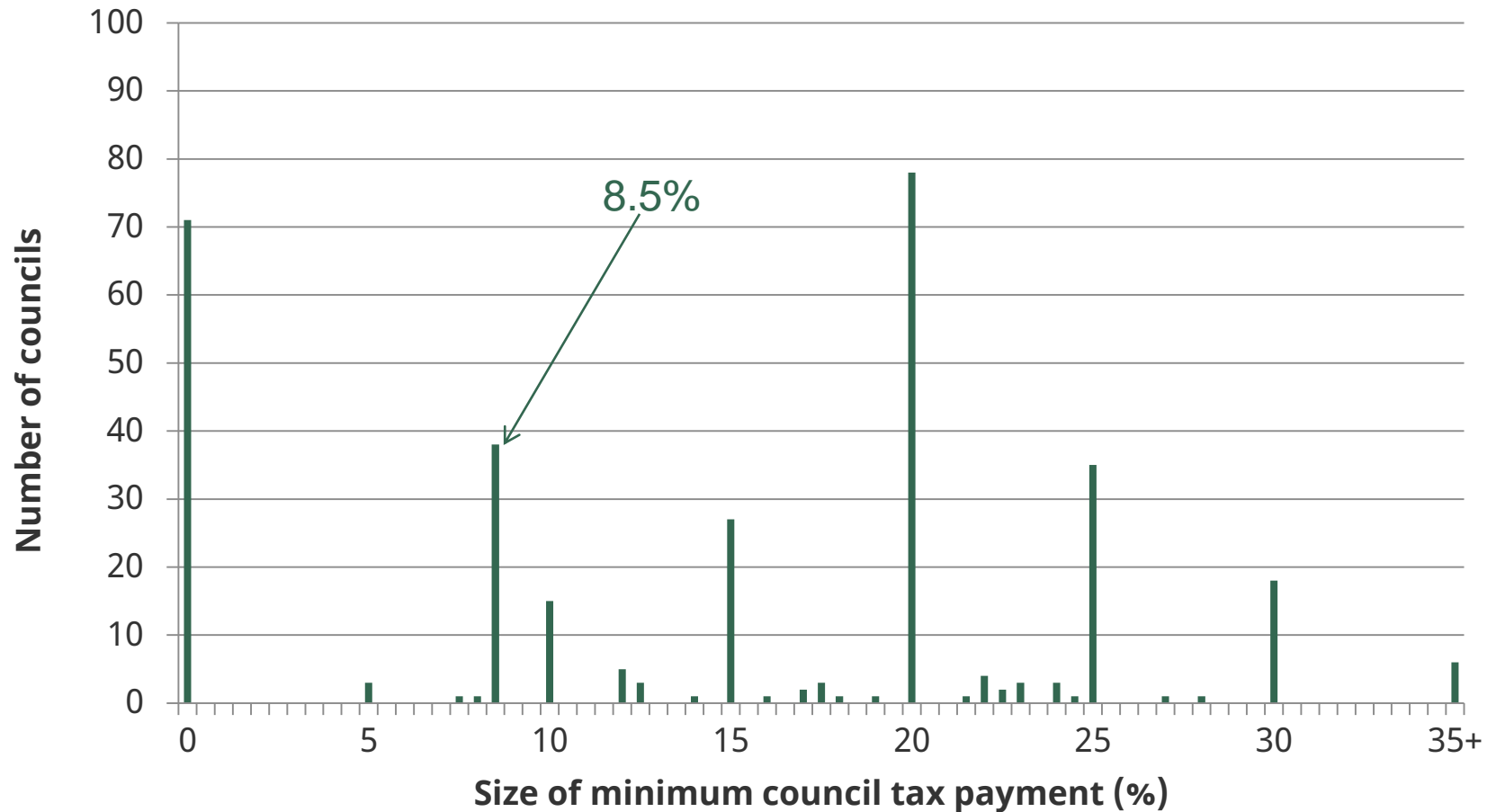
Lessons for policy from our research

Lessons for policy

For central government when devolving responsibilities and funding

- Temporary incentives can have long-lasting impacts

Number of English councils with different minimum council tax payments, 2018-19



Notes and sources: See Figure 2.5 of *The impact of localised council tax support schemes*

LAs with 8.5% minimum payments in 2018-19

In 2013–14, central govt gave one-off grant if minimum payment $\leq 8.5\%$

- 100 LAs chose minimum payment of exactly 8.5%

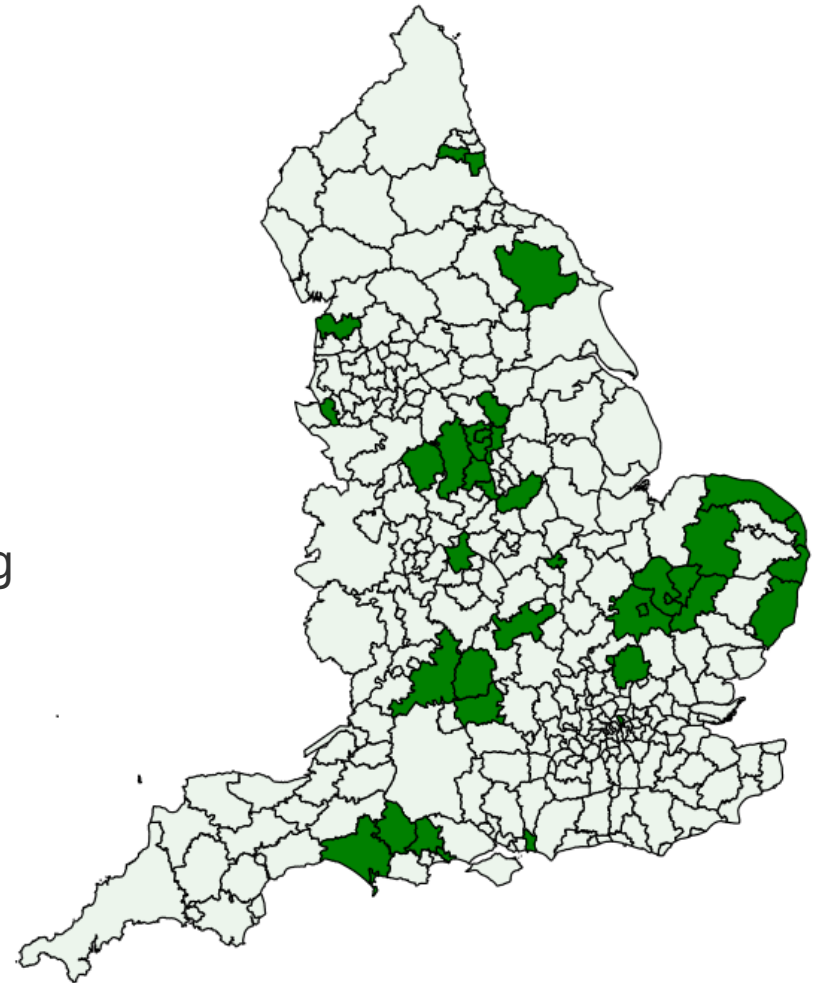
In 2018–19, 38 LAs still had a minimum payment of 8.5%

- 5 years after incentive expired
- Suggests inertia in LA decision making

A few LAs adopted a minimum payment of 8.5% *after* 2013–14

- So not *just* inertia...

Found in clusters of neighbouring LAs



Notes and sources: 8.5% minimum payments shown in dark green. See Figure 2.8 of *The impact of localised council tax support schemes*

Lessons for policy

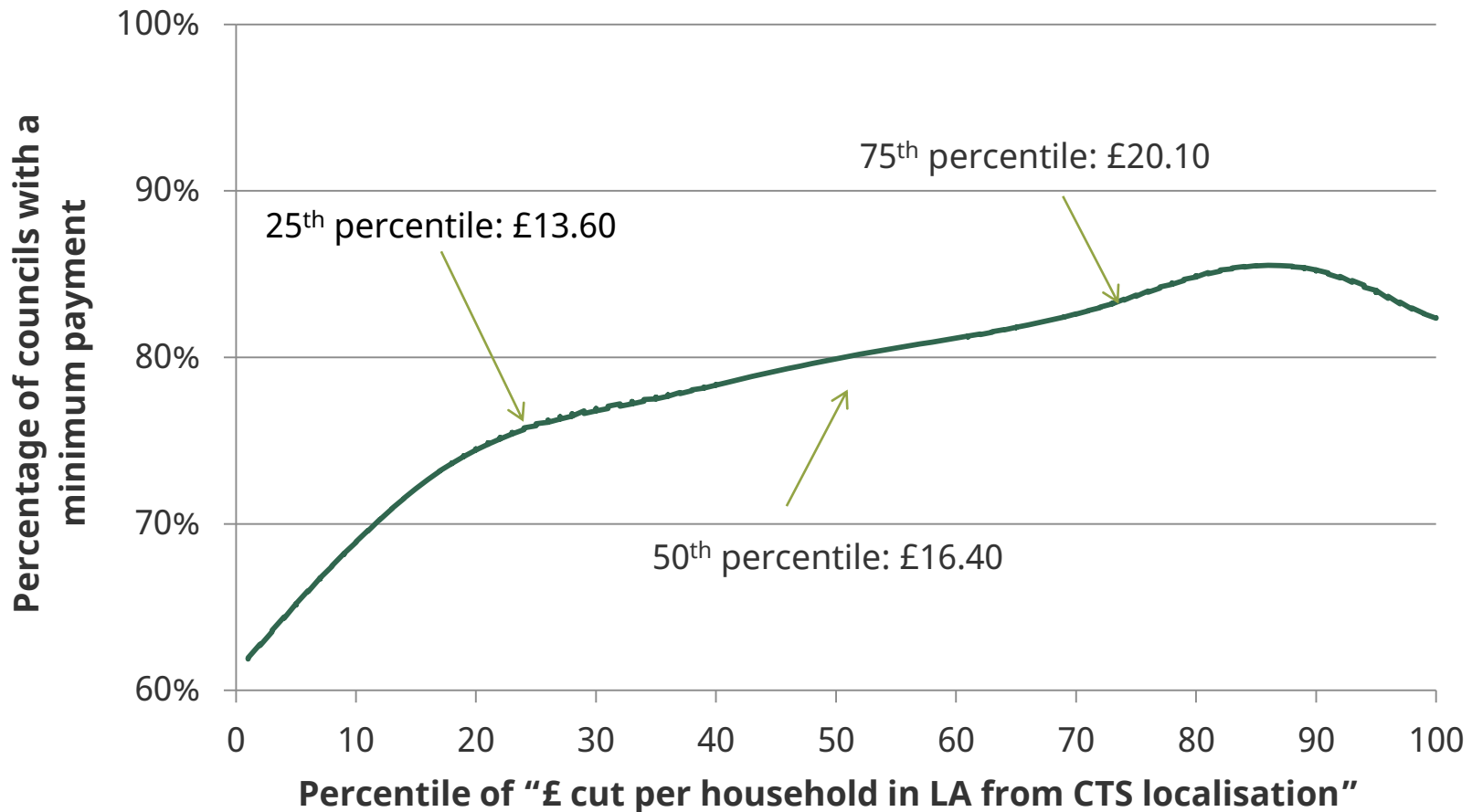
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- Temporary incentives can have long-lasting impacts
- The way funding streams are labelled can affect how they are spent

Effects of funding for LAs: a labelling effect?

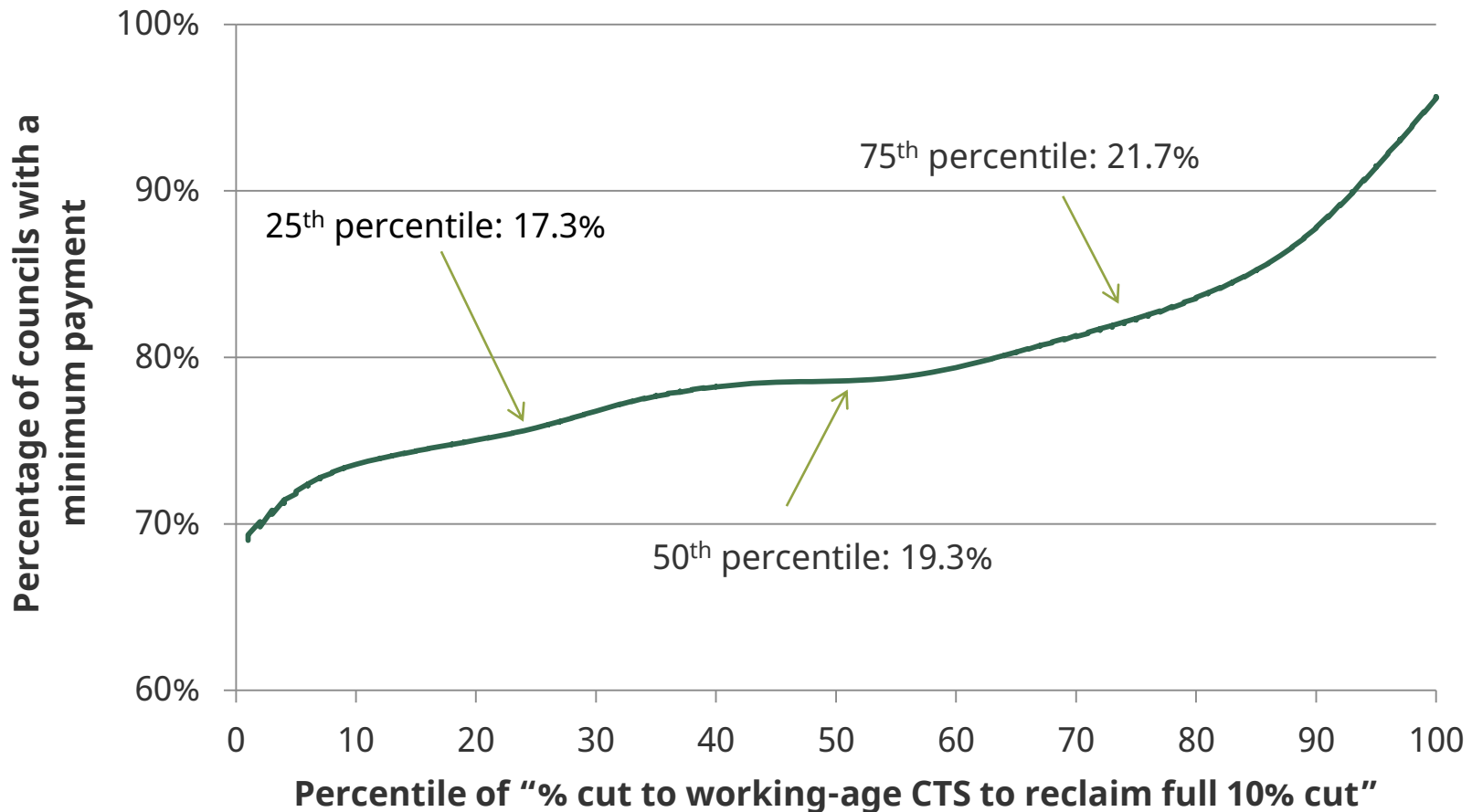
LA more likely to make (big) cuts to CTS if saw bigger cut in central government funding for CTS in 2013-14

Cuts to LA funding for CTS and probability of having a minimum payment, 2018-19



Notes and sources: See Figure 2.12 of *The impact of localised council tax support schemes*

Cuts to LA funding for CTS and probability of having a minimum payment, 2018-19



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Effects of funding for LAs: a labelling effect?

LA more likely to make (big) cuts to CTS if saw bigger cut in central government funding for CTS in 2013–14

BUT:

For a given 2013–14 cut to ‘CTS funding’, the size of subsequent cuts to *overall* LA funding makes little difference to CTS scheme choices

Suggests labelling of funding affects how LAs spend it

Lessons for policy

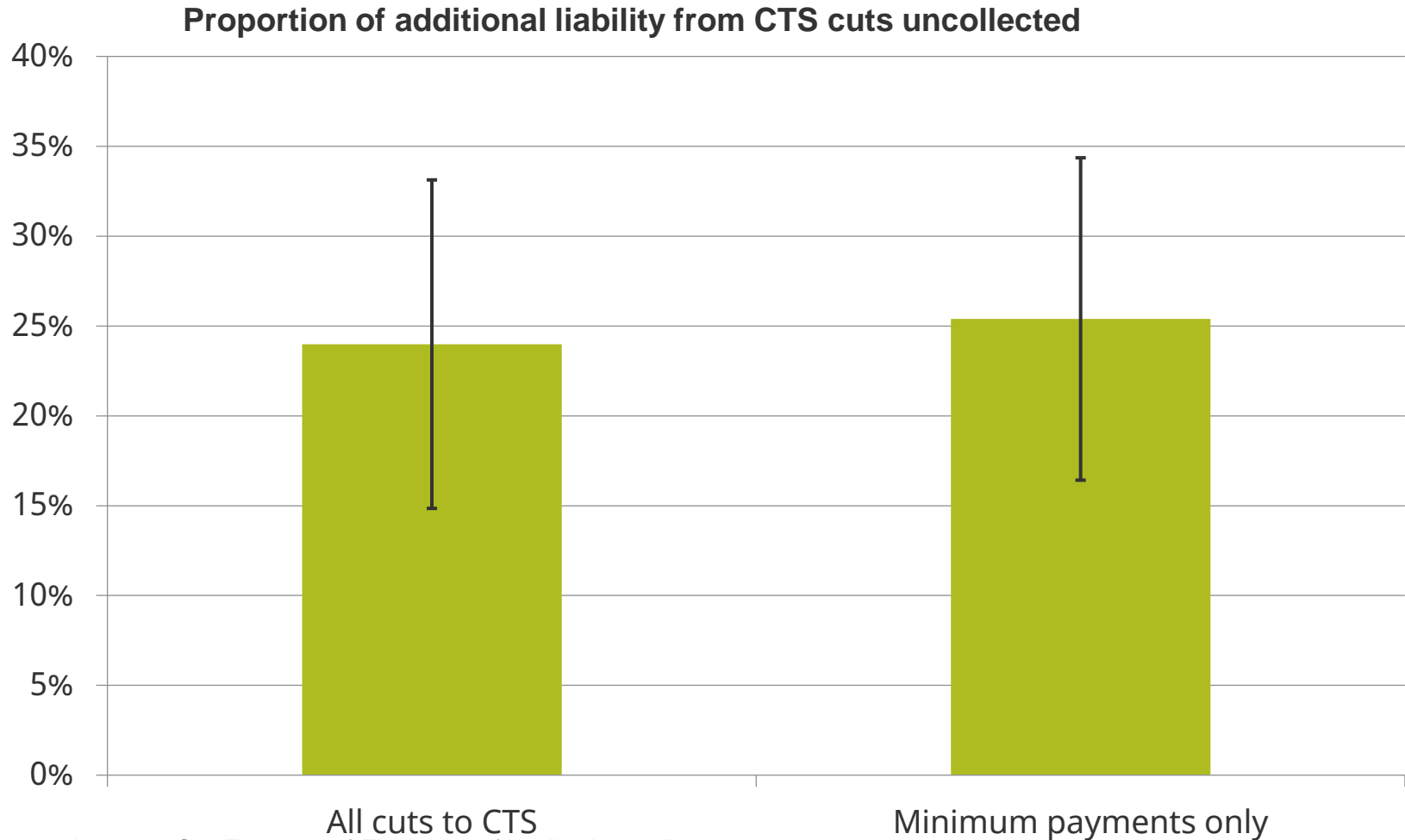
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For policymakers – central and local – when designing policy for low-income households

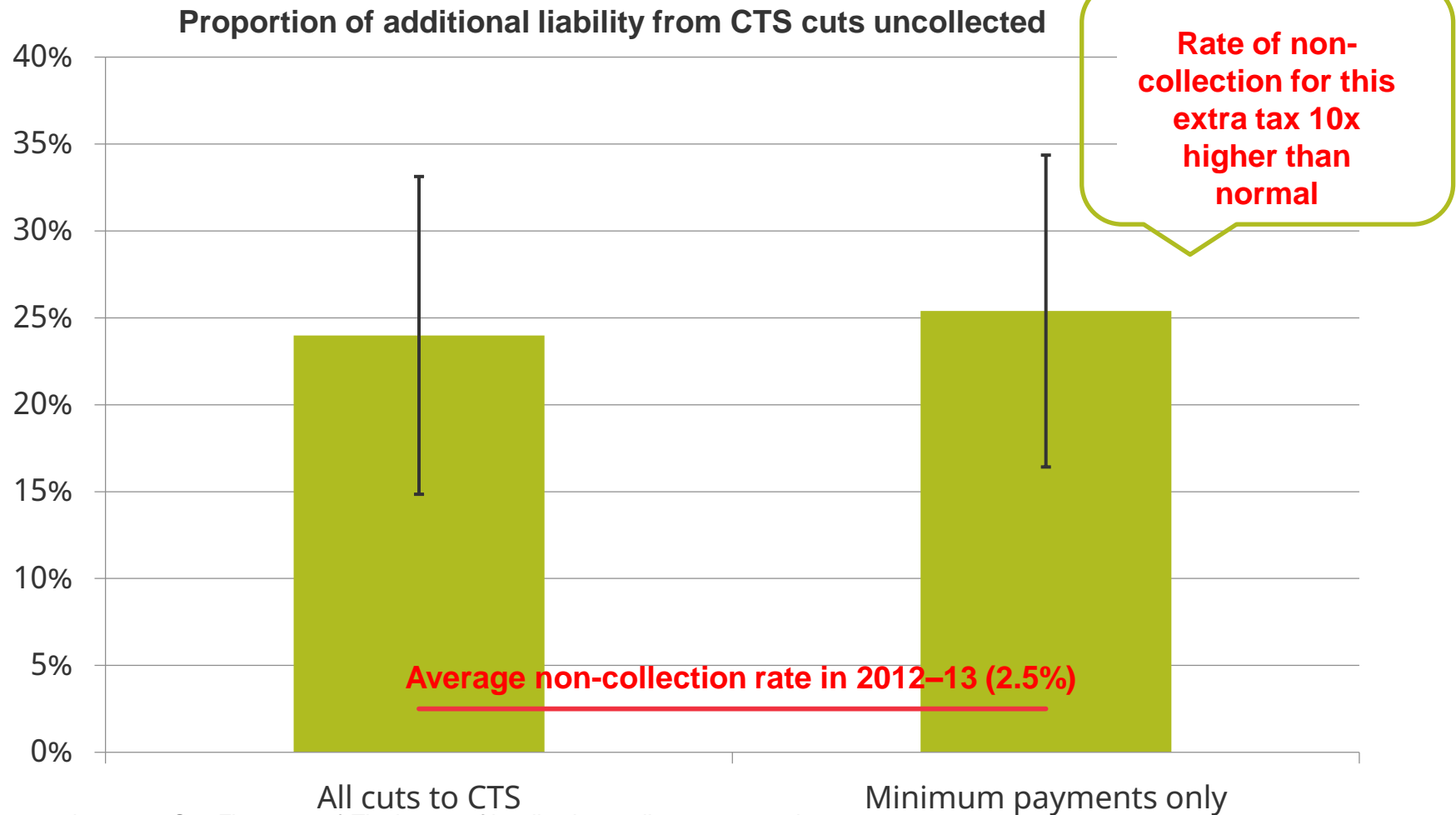
- Increasing bills for low-income households can lead to lots of arrears/non-payment...

Is the additional council tax successfully collected?



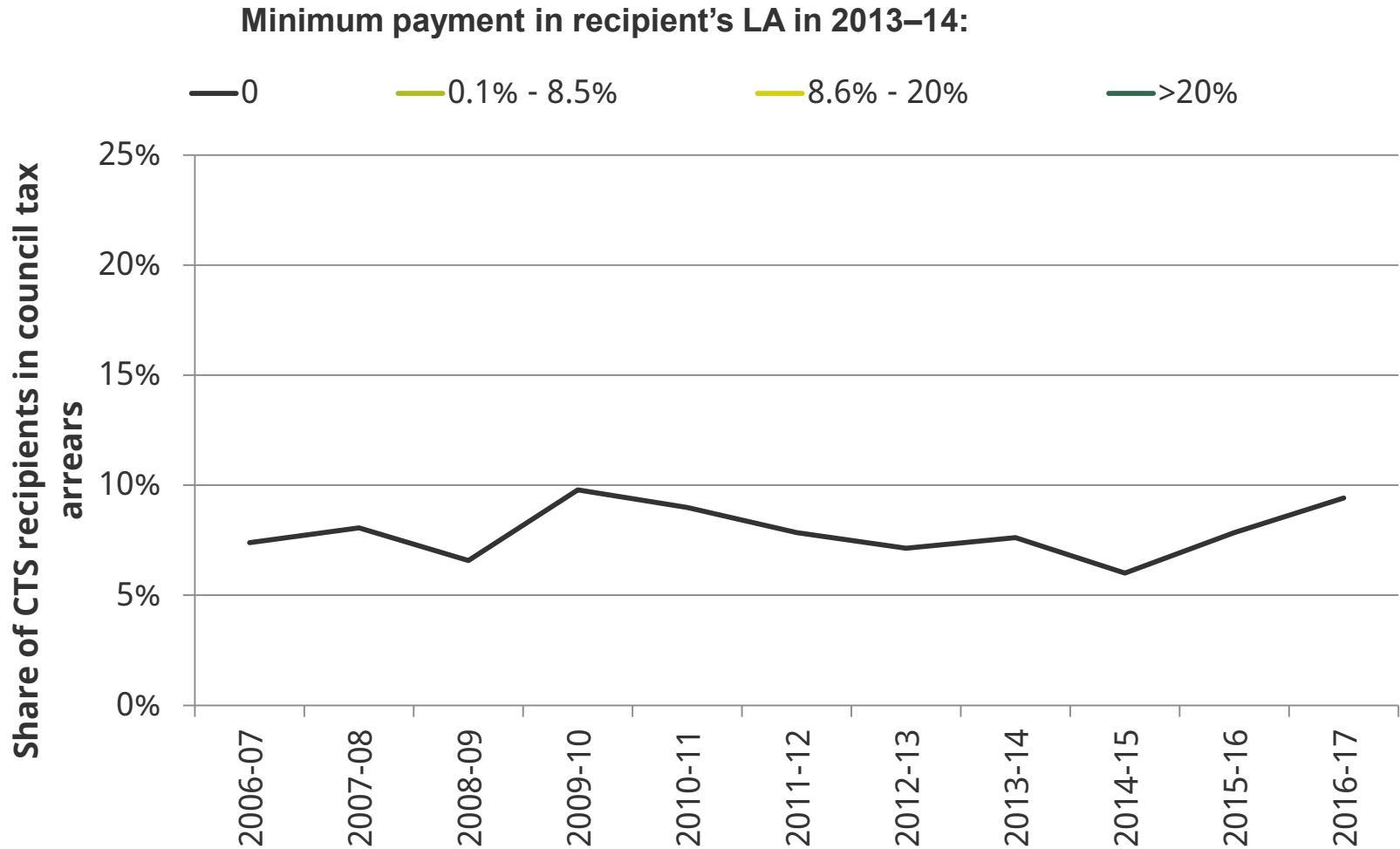
Notes and sources: See Figure 4.2 of *The impact of localised council tax support schemes*

Is the additional council tax successfully collected?



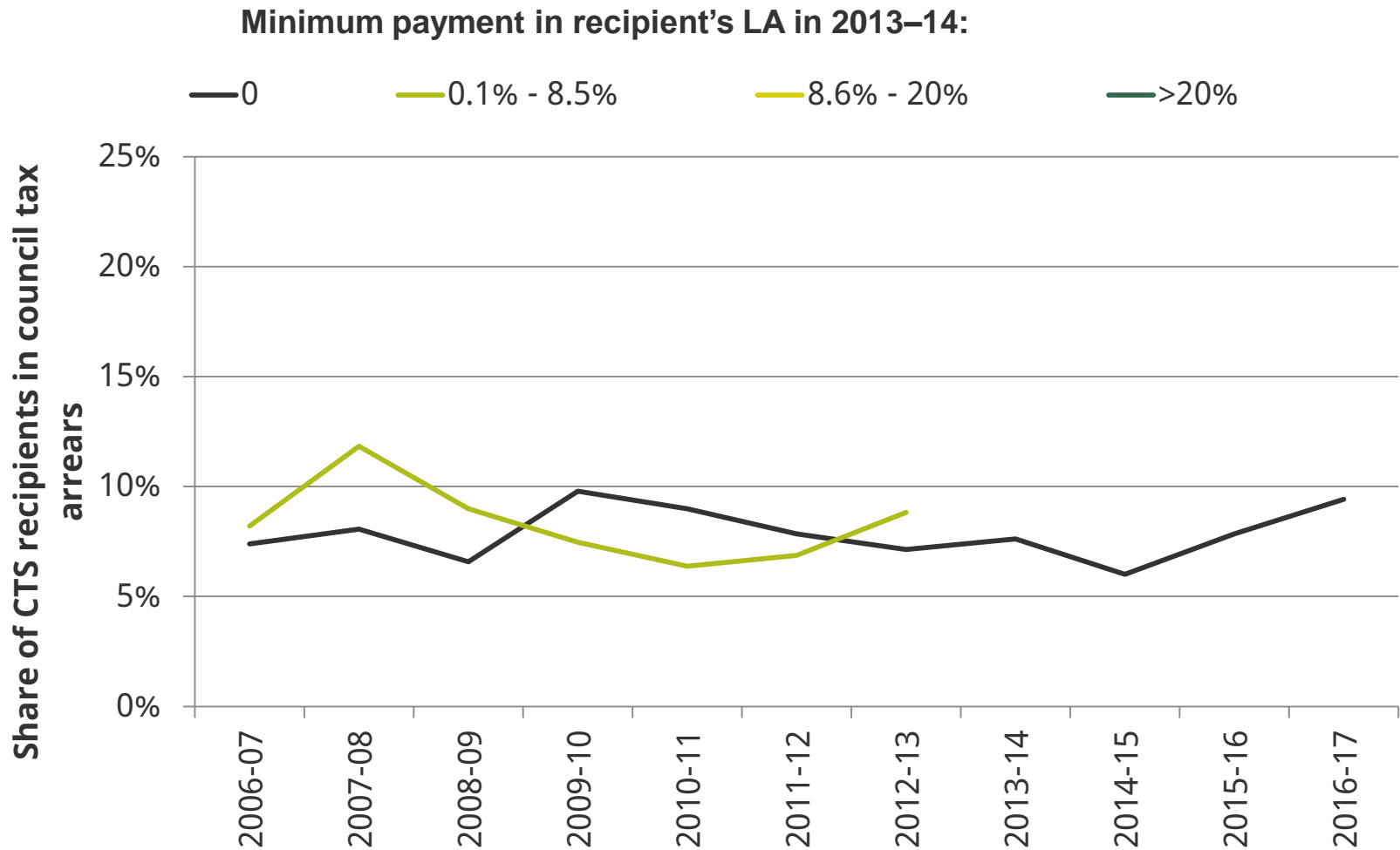
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Minimum payments lead to higher arrears



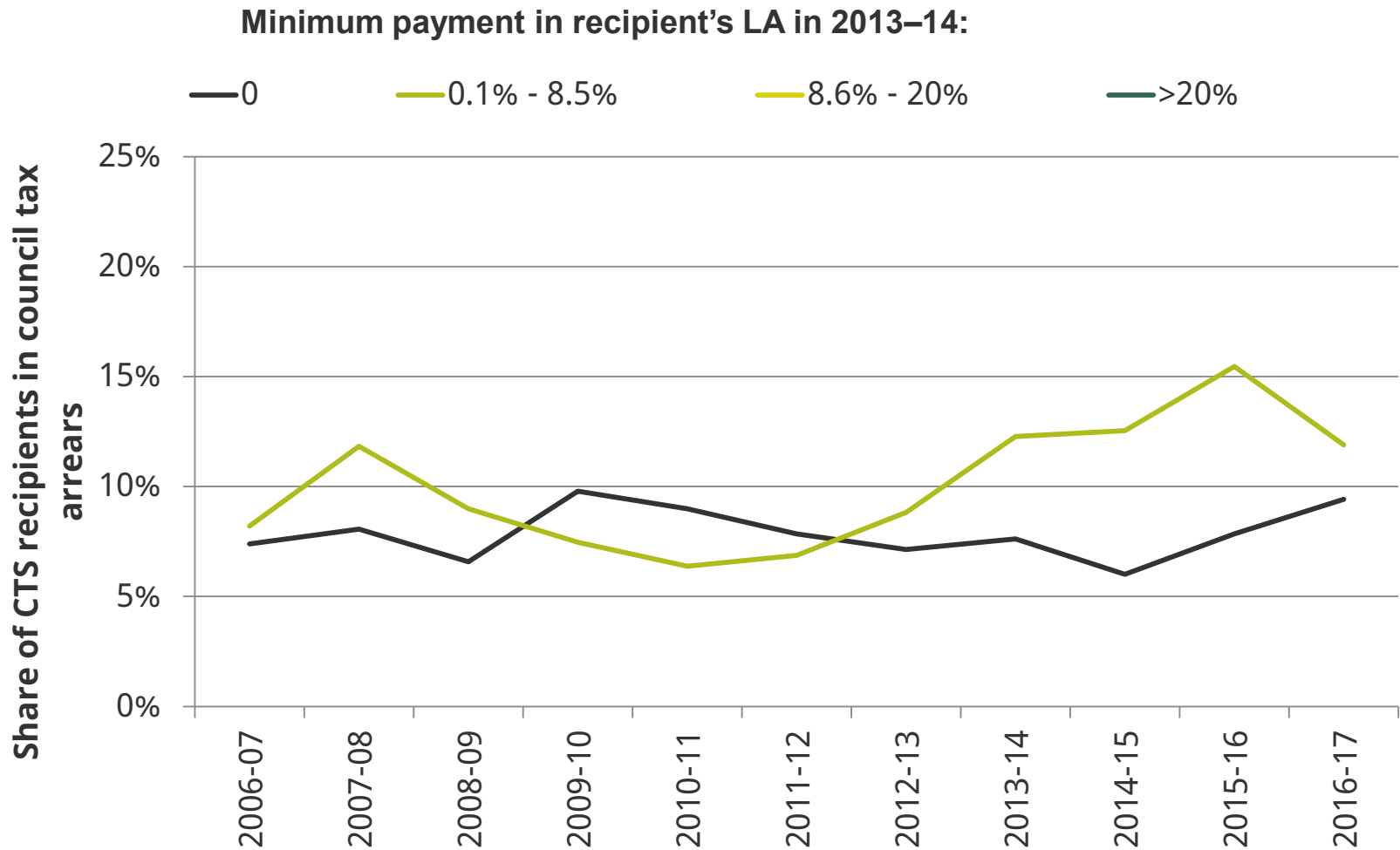
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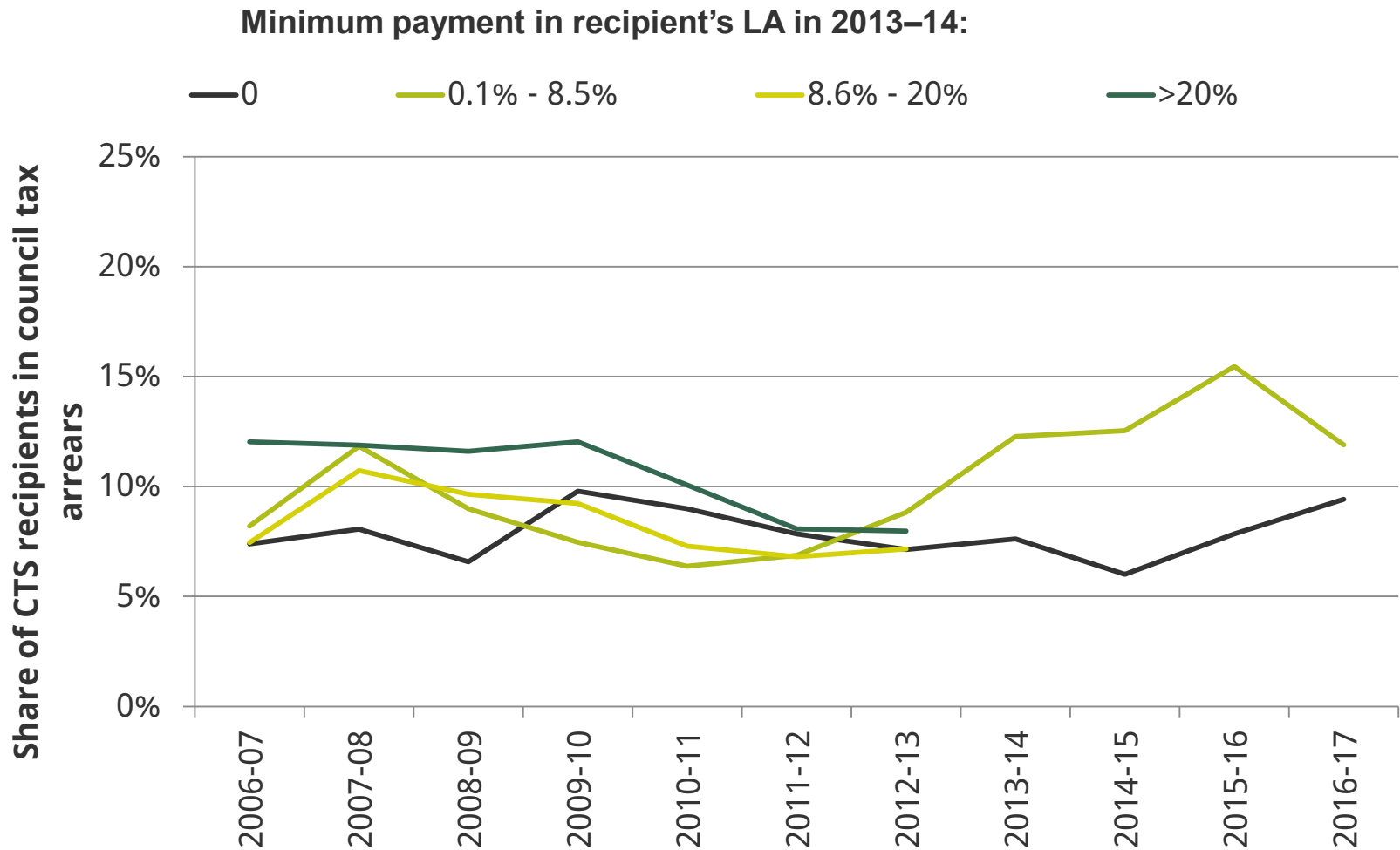
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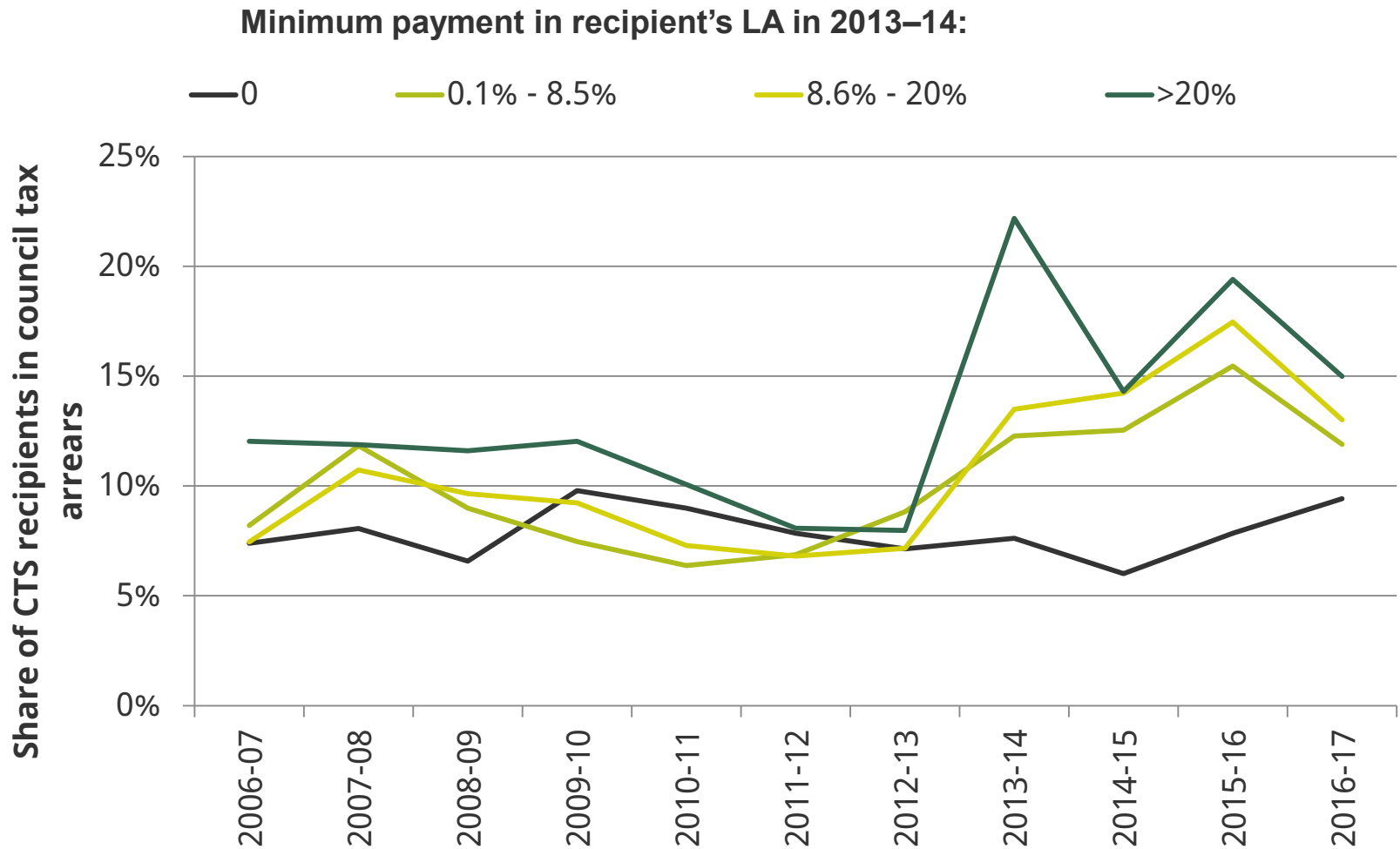
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Lessons for policy

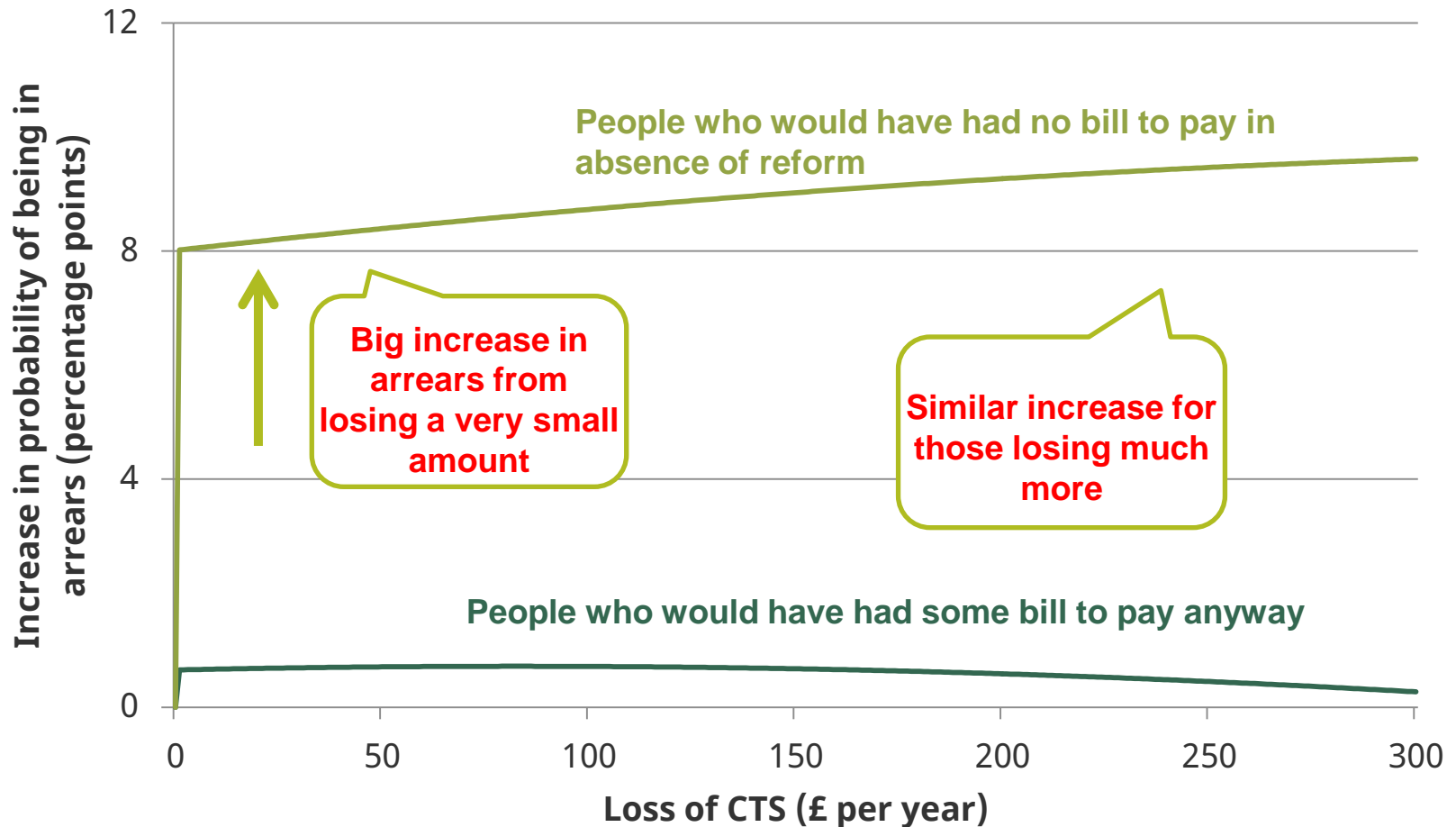
For central government when devolving responsibilities and funding

- Temporary incentives can have long-lasting impacts
- The way funding streams are labelled can affect how they are spent

For policymakers – central and local – when designing policy for low-income households

- Increasing bills for low-income households can lead to lots of arrears/non-payment...
- ...and giving people new bills much more likely to lead to non-payment than increasing the size of existing bills

Estimated effect of losing CTS on chances of going into council tax arrears



Notes and sources: See Figure 5.4 of *The impact of localised council tax support schemes*

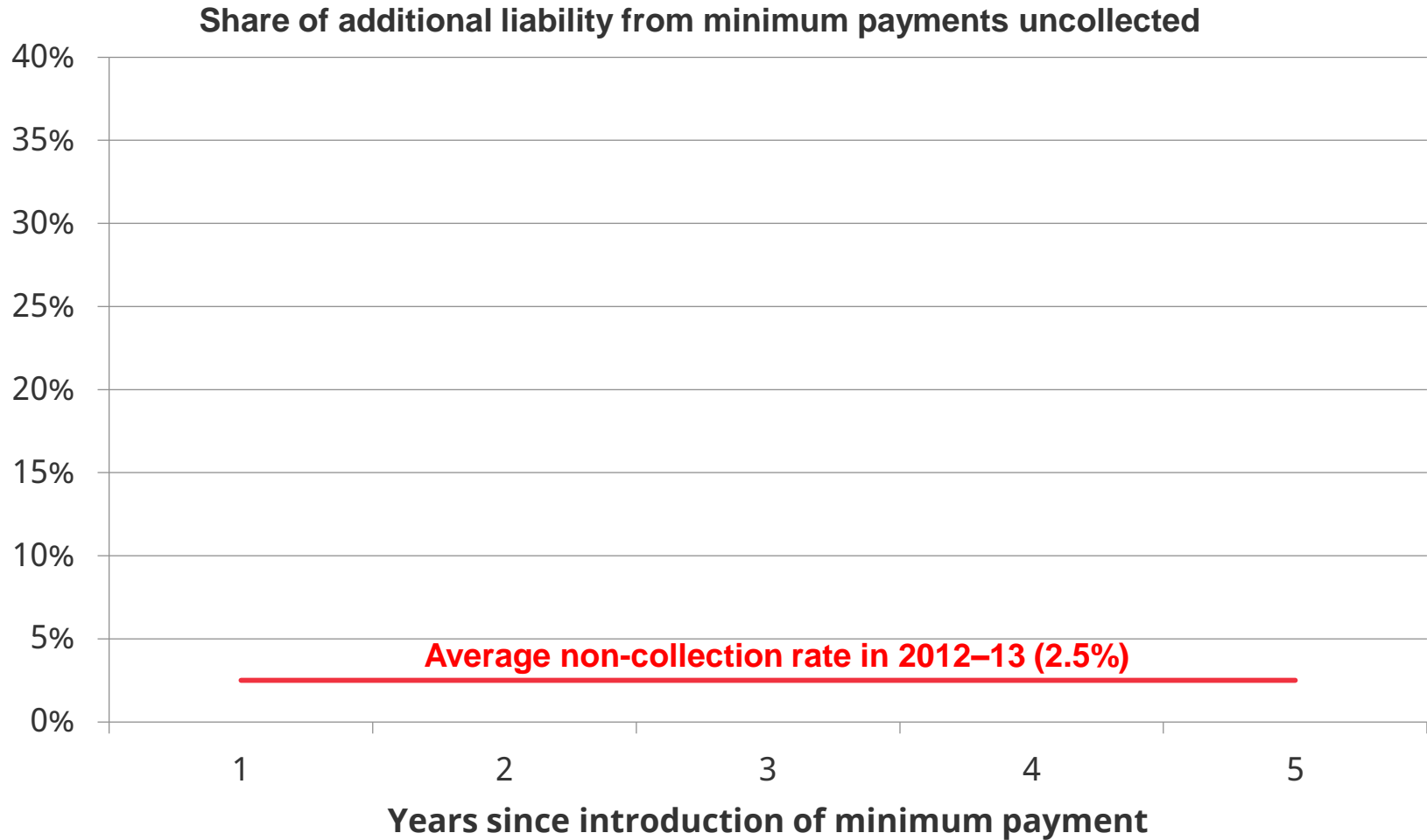
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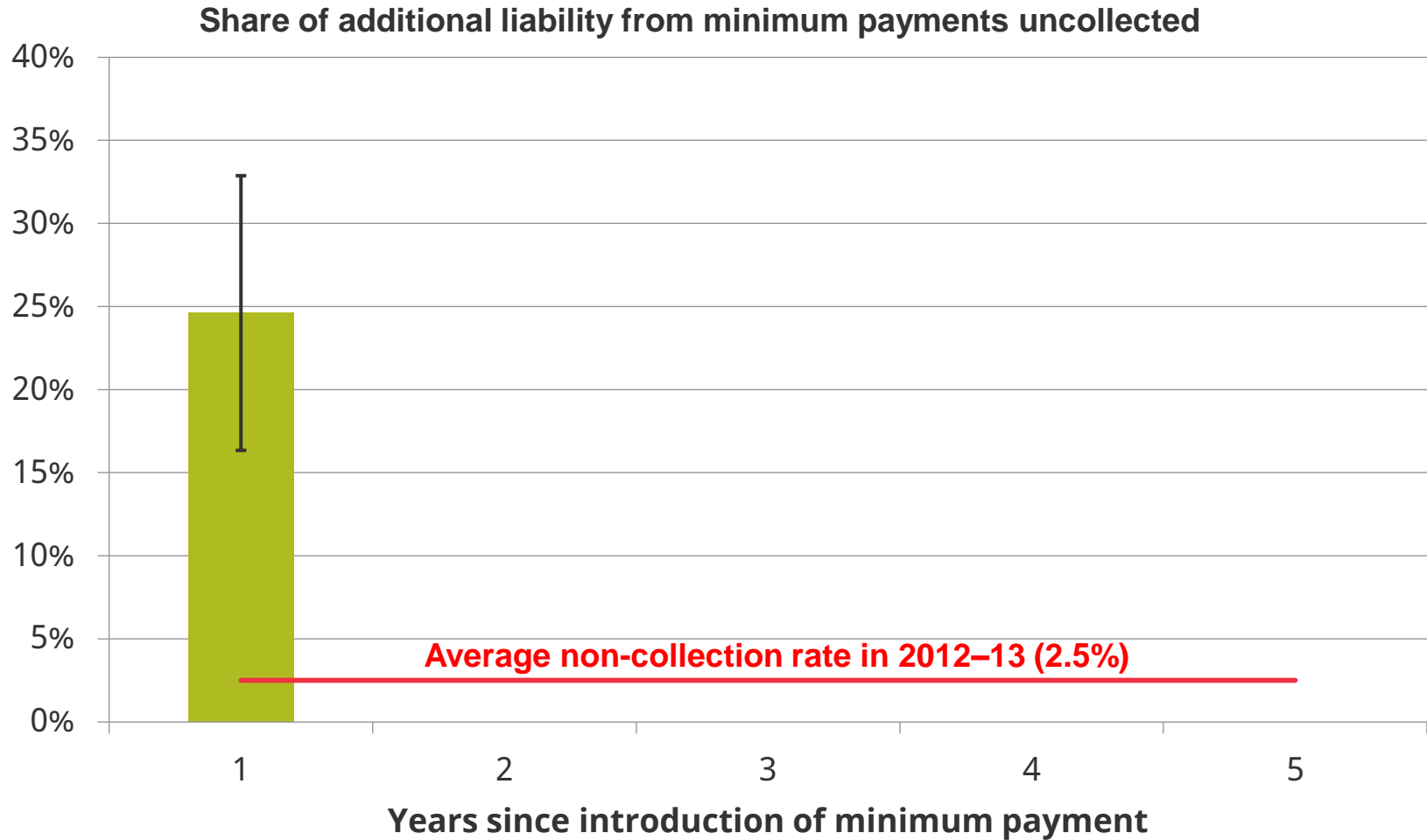
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- Difficulties don't disappear after households have had time to adjust

Effects persist for at least 5 years



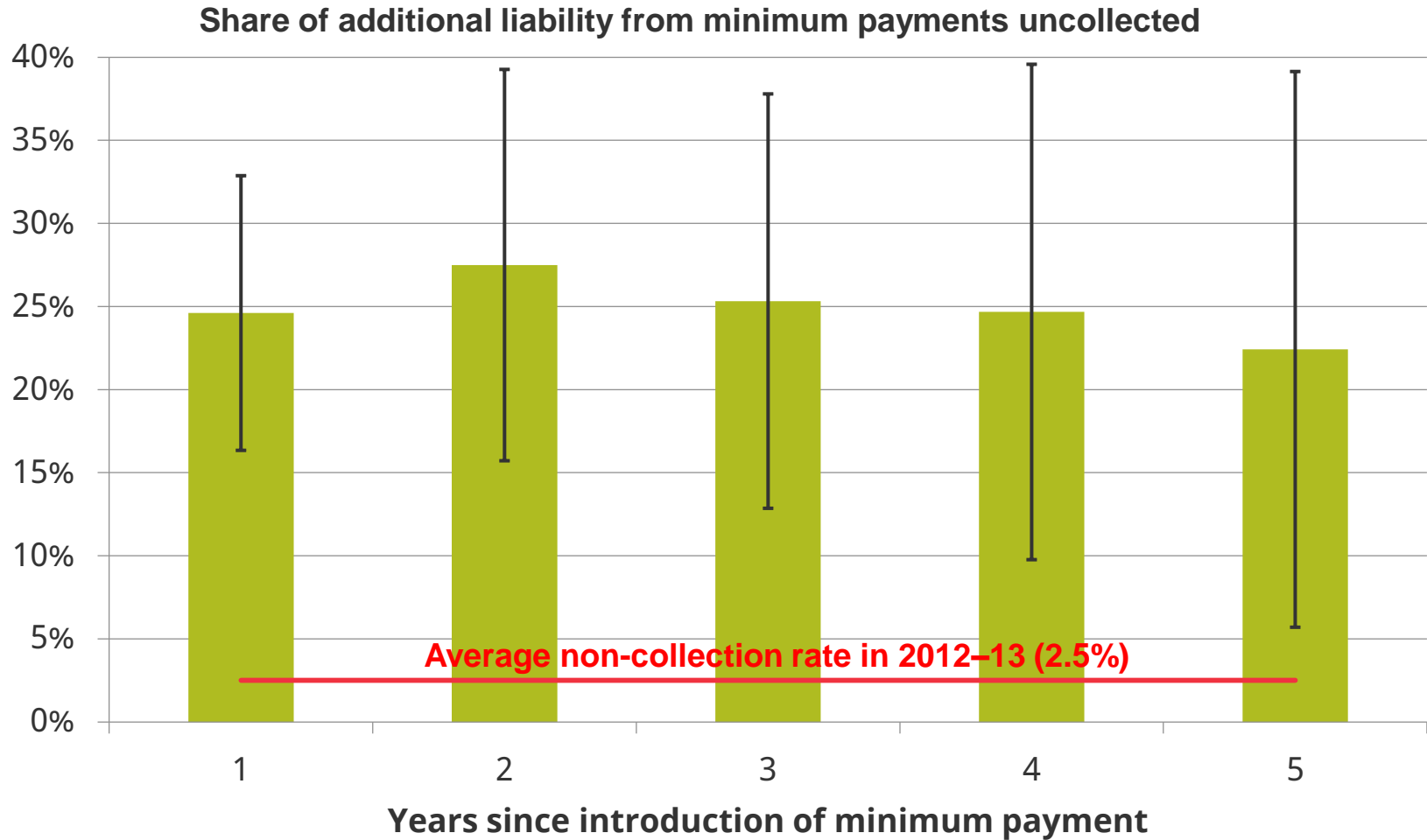
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- Increasing bills for low-income households can lead to lots of arrears/non-payment...
- ...and giving people new bills much more likely to lead to non-payment than increasing the size of existing bills
- Difficulties don't disappear after households have had time to adjust
- Important evidence for future CTS scheme design, and maybe other areas too (e.g. housing benefit, TV licences)

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