The impact of localised council tax support schemes

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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

- 14% cut
- 20% cut
- 24% cut

Notes and sources: See Figure 3.3 of *The impact of localised council tax support schemes*
Cut to working-age entitlements in England

Mirroring national benefit cuts
Other changes
Minimum payments

Notes and sources: See Figure 3.3 of *The impact of localised council tax support schemes*
Number of LAs with different minimum 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 ≤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

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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
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 (1.0% of income)

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
   • ⅔ in LAs with no minimum payment, ⅓ in group protected by their LA
Estimated impact of CTS cuts on council tax enquiries to Citizens Advice

Notes and sources: See Figure 4.4 of The impact of localised council tax support schemes

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Is the additional council tax successfully collected?

Share of additional liability from CTS cuts uncollected

- CTS cuts increase average non-collection rate from 2.5% to 2.7%
- Rate of non-collection for this extra tax 10x higher than normal

Average non-collection rate in 2012–13 (2.5%)

Notes and sources: See Figure 4.2 of The impact of localised council tax support schemes
And these effects persist for at least 5 years

Share of additional liability from minimum payments uncollected

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<tr>
<th>Years since introduction of minimum payment</th>
<th>Average non-collection rate in 2012-13 (2.5%)</th>
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Notes and sources: See Figure 4.3 of *The impact of localised council tax support schemes*
Minimum payments lead to higher arrears

Minimum payment in 2013–14:

- 0%
- 0.1% - 8.5%
- 8.6% - 20%
- >20%

Share of CTS recipients in council tax arrears

Notes and sources: See Figure 5.1 of *The impact of localised council tax support schemes*
Estimated effect of losing CTS on chances of going into council tax arrears

**Graph: **

- **X-axis:** Loss of CTS (£ per year)
- **Y-axis:** Increase in probability of being in arrears (percentage points)

- **Line 1:** People who would have had no bill to pay in absence of reform
  - Big increase in arrears from losing a very small amount
  - Similar increase for those losing much more

- **Line 2:** People who would have had some bill to pay anyway

**Notes and sources:** See Figure 5.4 of *The impact of localised council tax support schemes*
Which households go into arrears?

Households with ‘new’ bill more likely to go into arrears if:

- They are lone parents
- They are renting
- They live in LAs with low pre-reform collection rates
  - Suggests a possible role for LA collection efficiency
  - Or a role for ‘peer effects’
Summary (1/2)

Big reductions in CTS since 2012–13
- Entitlement for eligible working-age households in England cut by 24%
  - £196 per year on average, or 1% of income
- 1.4m low-income households liable for council tax who previously would not have been

Insights into LA decision-making
- Temporary incentives can have long-lasting impacts
  - Bunching of minimum payments at 8.5% suggests inertia – and desire to align with neighbours
- Labelling of grant from central government affects how LAs spend it
Reforms caused substantial, and long-lasting, payment problems

- More queries to Citizens Advice in LAs with minimum payments
- 25% of additional liabilities going uncollected even after 5 years

Effects driven by those with no bill to pay in the absence of reform

- True whether the ‘new’ bill is big or small
- No increase in arrears detected for households who would have had a bill to pay anyway

Important evidence for future CTS scheme design, and maybe other areas (e.g. housing benefit)