

A path to better Council Tax Support schemes

Rising arrears, shrinking support: Five years of CTR trends

Authors: Izabel Bahia, Rachael Walker from Policy in Practice



Contents

Executive summary.....	3
Key findings.....	4
Recommendations.....	5
Why this matters now.....	5
From the 90's to now: how support for Council Tax has evolved.....	7
Austerity, employment and local economies: The drivers behind the changes.....	8
Declining support and growing need: The impact of the changes.....	10
296 CTR schemes in England, and no two are alike.....	12
What does this mean for claimants in different areas?.....	13
One in four councils have a different maximum award for vulnerable groups.....	14
Regional trends: No clear pattern and no North-South divide.....	16
Other trends: taper rates, band caps and banded schemes.....	18
Most councils with the default scheme kept the 20% taper rate, while those that didn't increase the local rate.....	18
One in three schemes limits support by Council Tax Band.....	19
The number of banded schemes increased by 63%.....	21
Affordability, CTR and collection rates.....	24
Local authorities in more affluent areas collect more Council Tax.....	24
Council Tax increases are not evenly spread.....	29
Conclusion and recommendations.....	32
Appendix 1: Methodology.....	35
Appendix 2: Council Tax Reduction Modelling.....	36
Appendix 3: Apply Once.....	37
Anglian Water case study.....	37
About Policy in Practice.....	39

Executive summary

Council Tax arrears have reached an all time high, with outstanding debts now exceeding [£6 billion in England](#)¹. At the same time, the level of Council Tax Reduction (CTR) support available to low income households has continued to shrink, forcing many into financial hardship. This report examines how CTR schemes have evolved over the past five years, assessing their impact on households, local authorities, and Council Tax collection rates.

This report comes at a time of major change, both for local government and in social security. Local government reorganisation - the scrapping of two tier local government structures - will see the end of more than 160 district councils and with them more than 160 CTR schemes in England. They will be replaced with new schemes for new larger, unitary authorities.

While these changes will deliver fewer schemes and therefore less fragmentation across regional geographies, harmonising schemes across new footprints with larger populations will be a key challenge for policymakers in the next two to three years.

Equally important to CTR schemes are changes being made to disability benefits². The reduction in the number of people claiming Personal Independence Payments and the disability element of Universal Credit is likely to bring with it higher Council Tax bills as the number of people eligible for CTR support falls.

Together, Policy in Practice believes these changes, alongside completing the migration to Universal Credit from legacy benefits this year, promise the biggest shake up to Council Tax Reduction since 2013. We have modelled 150 Council Tax Reduction schemes for 35 councils over the past five years and are well placed to help councils to face these challenges head on.

This report examines national trends, scheme benefits and pitfalls, and provides a window into the considerations all district authorities in England must now consider. For those councils not subject to local government reorganisation, increased arrears, reduced budgets

¹ Department for Levelling Up, Housing & Communities (2024). [Collection rates for Council Tax and non-domestic rates in England, 2023 to 2024](#).

² Charlesworth, Z. (2025). [The impact of planned disability reforms on local authorities and the NHS](#). Policy in Practice.

and the upcoming changes to disability support means now is the time to consider local welfare in all its forms, starting with CTR.

Key findings

1. **Support has declined:** The average maximum award for working age households has fallen below 90% in all English regions, with some councils offering as little as 40% support. Over 570,000 households have lost access to CTR since 2016.
2. **A postcode lottery remains in place:** Localised CTR schemes vary widely, with maximum awards differing by as much as 60 percentage points across England. Some councils have reinstated or maintained 100% support, while others have continued to cut back.
3. **Council Tax arrears are soaring:** Before the Covid-19 pandemic, arrears had reached £3.5 billion in England alone. Today, this has increased to £6 billion, reflecting both the rising cost of Council Tax, wider cost of living challenges and the erosion of support.
4. **Affordability is a key driver of arrears:** Local authorities in wealthier areas have higher collection rates, while those in areas of high deprivation struggle. Councils requiring a higher minimum contribution tend to see lower collection rates, reinforcing the link between unaffordable bills and non-payment.
5. **Administrative complexity hurts take up:** The interaction between CTR and Universal Credit creates volatility in household support, leading to unnecessary reassessments and missed entitlements. Simplified banded schemes and aligning with Universal Credit start dates could improve accessibility and administration.
6. **Some councils are reversing cuts:** Despite financial pressures, 47% of councils now offer 100% support to some working age households, up from 41% in 2020-21. However, many continue to scale back, leading to growing disparities in provision.

Recommendations

To address the rising levels of Council Tax arrears and to ensure CTR schemes provide effective support to low income households, local authorities must now:

1. **Adopt a banded scheme:** Councils that have introduced banded CTR schemes have reduced administrative costs, minimised fluctuations in support caused by income volatility, and made it easier for residents to understand their entitlement.
2. **Implement flat-rate non-dependant deductions:** Standardised deductions remove the need for councils to gather additional income data on non-dependants, reducing administrative burdens and providing greater certainty for households.
3. **Consider changes to exemption criteria for non-dependants and vulnerable groups:** Some councils have adjusted their exemption criteria to align with Universal Credit data, replacing Personal Independence Payment (PIP) and Disability Living Allowance (DLA) exemptions with Limited Capability for Work (LCW) or Limited Capability for Work-Related Activity (LCWRA) exemptions to reduce administrative complexity.
4. **Start planning now for Local Government Reorganisation:** for district councils moving from two tier to single tier areas, CTR schemes will need to be unified. Each district scheme will be different today and unification may need to take place over two or three financial years to prevent confusion, help residents who will lose out on support, and ensure your new one tier area is ready for CTR from day one.
5. **Model now to understand future impact:** Once councils have set clear objectives with elected members, modelling the changes will deliver a greater understanding of the economic and social impact. The welfare landscape is changing fast. It's important to build schemes that are stress tested to account for the migration to Universal Credit, benefit uprating and changes to the disability benefits that will come into effect in 2026-27.
6. **Better data sharing between DWP and local authorities:** Under the current data sharing arrangements local authorities lose visibility over households with fluctuating earnings. If the household loses employment, the CTR claim doesn't automatically resume and households often don't know they need to reapply for CTR. This manual process prevents households from accessing support and may create barriers for people to return to the workforce.

Why this matters now

The government's plans for Local Government Reorganisation will see more than 160 district authorities restructured into upper tier Unitary Councils. This restructure means that more than 160 current CTR schemes must be redrafted to consider new populations.

As we outline in this report, the current fragmentation of CTR across England presents a unique policy challenge. Councils must plan for this change now by working with neighbouring authorities to harmonise their CTR schemes. But Local Government Reorganisation isn't the only driver for change today.

The cost of living crisis, rising Council Tax bills, and declining welfare support are putting low income households under unprecedented financial pressure. Councils are caught between balancing their budgets and protecting vulnerable residents. Without major change, Council Tax arrears will continue to rise, creating further financial instability for both local authorities and the communities they serve.

As councils navigate ongoing financial constraints and begin to plan for Local Government Reorganisation, the design of local support schemes will be critical in determining whether Council Tax remains an affordable and sustainable system or an unpayable burden for those already struggling.

From the 90's to now: how support for Council Tax has evolved

Council Tax Reduction for eligible low income households has been a core component of the welfare state since the introduction of Council Tax in Britain in 1993. For the next 20 years to 2013, Council Tax Benefit (CTB) provided support to eligible households, reducing their bill by up to 100%. Crucially, CTB was a national, standardised scheme.

Before its abolition, CTB was the most widely claimed benefit in England, providing £4.1 billion in support to 4.9 million households. Eighty percent of claimants received the maximum available support and did not pay any Council Tax.³

The 2010 Spending Review⁴ changed everything, announcing that local authorities in Great Britain would assume responsibility for designing their own working age Council Tax Reduction schemes based on local needs and local priorities. While central government continued to provide funding to councils to cover their local schemes, they made two major changes:

1. Financial risk was localised

Before 2013, CTB was fully demand-led, meaning that councils were reimbursed for the actual amount of CTB awarded to claimants throughout the year.

Under the pre-2013 CTB system, local authorities did not bear the financial risk of fluctuations in claims. If more households became eligible for CTB due to rising unemployment or other factors, the government would cover the additional cost through reconciliation at year end. The only exceptions were local authority errors and overpayments, which councils were responsible for managing.

However, from April 2013, funding was localised and cash limited, meaning councils were given a fixed grant and had to manage any increases in demand themselves.

³ Ashton, S. (2014) [A new poll tax? The impact of the abolition of council tax benefit in London](#). CPAG/Zacchaeus 2000, p. 6.

⁴ HM Treasury (2010) [Spending Review 2010](#).

This shift transferred financial risk to councils, forcing many to introduce minimum payments and eligibility restrictions in their CTR schemes to control costs.

2. Funding was cut by 10%

Alongside the risk shift for localised schemes, the government reduced the total budget for CTR by 10%, using CTB spending in 2011-12 as a baseline. Crucially, this funding was then rolled into the broader Revenue Support Grant (RSG) rather than being ring fenced, meaning it was subject to further reductions as local government funding was cut over the following decade.

As a result, councils not only had to absorb the initial 10% reduction but they then faced ongoing funding erosion, forcing many councils to further restrict CTR eligibility, reduce the maximum level of support, or introduce minimum payment requirements for low income households. Over time, these changes have led to an increasingly fragmented and inconsistent system, with the level of support available depending heavily on where a household lives.

Austerity, employment and local economies: The drivers behind the changes

The changes to support for Council Tax were driven by three key government policy objectives:

1. Reducing welfare expenditure as part of austerity measures

The then coalition government aimed to cut overall welfare spending, and the localisation of CTR, combined with a 10% funding reduction, was a direct cost saving measure.

2. Devolving welfare responsibility to local councils to boost local economic incentives

The government shifted responsibility for Council Tax Reduction to local authorities, arguing that councils were better placed to design schemes tailored to local needs and priorities rather than operating under a one-size-fits-all national system.

By giving councils control over CTR, the government intended for local authorities to manage welfare provision within their budgets, making decisions on who should receive support and how much.

This devolution of CTR was intended to incentivise councils to reduce welfare expenditure through local economic regeneration. Councils that failed to shift residents from welfare to work would see higher demands on their finances through CTR. The shift towards direct budget impacts was introduced alongside other financial incentives such as retention of Non Domestic revenues to push councils towards economic regeneration.

3. Encouraging work and reducing so called "welfare dependency"

The government argued that requiring working age households to contribute something towards their Council Tax bill, rather than being supported by 100% relief, would incentivise work and financial independence.

While reductions in funding to councils dropped by 10%, Pension age claimants were protected from the changes, meaning that the entire funding reduction fell on working age households.

Cuts to CTR were part of a broader welfare reform agenda aimed at reducing the complexity of the welfare system, addressing "welfare dependency," and incentivising work. At the same time, Universal Credit was introduced to consolidate six working age benefits into a single monthly payment. But excluded CTR.

A range of deductions to welfare payments also accompanied these reforms: The so-called "bedroom tax," an under-occupancy penalty, reduced payments to social housing claimants deemed to have excess living space. The 2012 Welfare Reform Act also introduced a cap on the total amount of benefits income claimants could receive, alongside other fiscal savings measures.

These combined measures were introduced to shift behaviours and reduce welfare dependency. However, since 2013, rising arrears, reduced support, and national and international economic challenges have combined to create a perfect storm of lower incomes, higher bills, and reduced living standards.

Declining support and growing need: The impact of the changes

With the financial burden shifted onto local authorities, redesigning their CTR schemes in response to ongoing funding reductions and rising demand for services was unavoidable.

- Between 2010-11 and 2024-25, local government budgets were cut repeatedly, with central funding decreasing by 9% in real terms and by 18% per person.⁵
- Some of the most deprived areas faced even deeper cuts of up to 26% per person, worsening financial pressures on councils and residents alike in areas most in need.⁶

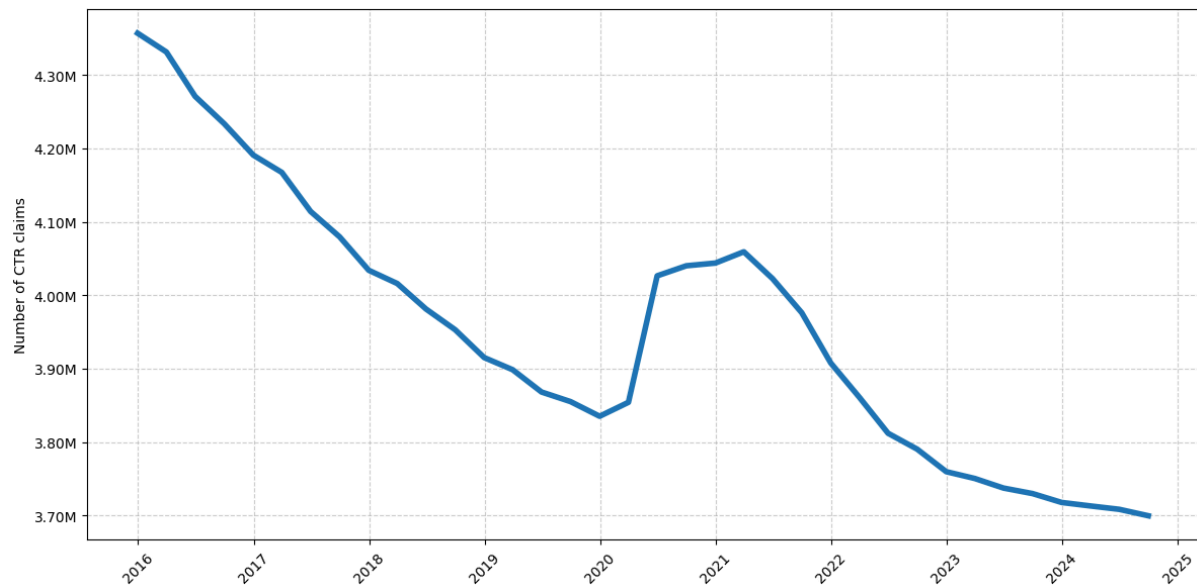
Since 2020, the average level of CTR support for working age households has continued to decline as councils struggle with increasing financial pressures. In response:

- Maximum CTR awards have reduced across all English regions, and eligibility criteria have tightened, resulting in fewer households qualifying for support
- The total number of households receiving CTR has fallen by over 657,000 since December 2015, reflecting both policy driven reductions and a decline in take up
- Meanwhile, Council Tax arrears have risen sharply, reaching £6 billion across England, highlighting the growing affordability crisis facing low income households

⁵ Ogden, K., Phillips, D. (2024). How have English councils' funding and spending changed? 2010 to 2024. The Institute for Fiscal Studies.

⁶ Ibid.

Figure 1: Total Council Tax Reduction caseload in England, December 2015 to September 2024



Source: Ministry of Housing, Communities and Local Government (MHCLG) - Local Council Tax Support claimant numbers: Caseload snapshots at the end of each financial quarter as at 30 June 2015 (Q1) to 30 September 2024 (Q2).⁷

⁷ Although the dataset contains columns from June 2015 (Q1) there is no entry until December 2015.

296 CTR schemes in England, and no two are alike

Since 2013, local authorities have taken wildly varying approaches to designing their working age CTR schemes. Initially, many councils adopted the default scheme, which was a near replica of CTB with only minor adjustments. This mirroring of CTB provided some continuity, but as funding pressures mounted, councils quickly realised that maintaining CTB-level support was financially unsustainable.

Initially operating with little to no precedent to work with, councils made broad but relatively simple changes to control costs and manage financial risk.

The most common approach in 2013-14 was to introduce minimum payment requirements, ensuring all working age claimants contributed something towards their Council Tax bill, regardless of income, disability, or other financial vulnerabilities.

Other widespread adjustments included:

- **Increasing taper rates**, reducing support more steeply as income rose
- **Introducing Council Tax band caps**, limiting support based on the property's Council Tax band
- **Applying, or tightening, non dependant deductions**, requiring additional contributions from adults in the household other than those liable for Council Tax

These early policy decisions were largely reactive, driven by financial necessity rather than long term strategic planning. Councils were balancing budget pressures with their duty to support low income households, often relying on trial and error approaches to scheme design.

Now, more than a decade on, the landscape of CTR has evolved. Early schemes were experimental, often shaped by immediate financial constraints. But with 12 years of operational experience, we can now assess how mature CTR schemes function today.

This report examines the last five years of CTR policy choices in England, exploring how councils have refined their approaches, which models have emerged as more sustainable, and how local support levels have continued to shift.

For Scotland and Wales, devolved governments have preserved the 100% maximum award. However, support for working age residents in England has declined. Today, the average maximum award for working age households, excluding vulnerable groups, is

86%, with some CTR schemes offering as little as 40%. In areas with the least generous schemes, low income households are expected to pay at least 60% of their Council Tax bill.

What does this mean for claimants in different areas?

Residents living a few streets apart from each other across local authority boundaries can end up with completely different Council Tax bills. This hyper local fragmentation highlights the extent of the postcode lottery in Council Tax Reduction across different council areas and demonstrates the significant disparities in financial support for low income households.

To show how CTR disparities deliver vastly different demands on low income households, Figure 2 presents three anonymous but real neighbouring CTR schemes and their impact on four different typical claimant groups.

The maximum award varies significantly across all councils. Council A offers 80% to working age claimants, Council B 75% and Council C 50%. All examples have been based on a band D property, where Council Tax liability varies from £38.69 to £43.43 a week. For the lone parent cases, a single person discount has been applied.

Figure 2: Weekly CTR award across three neighbouring councils

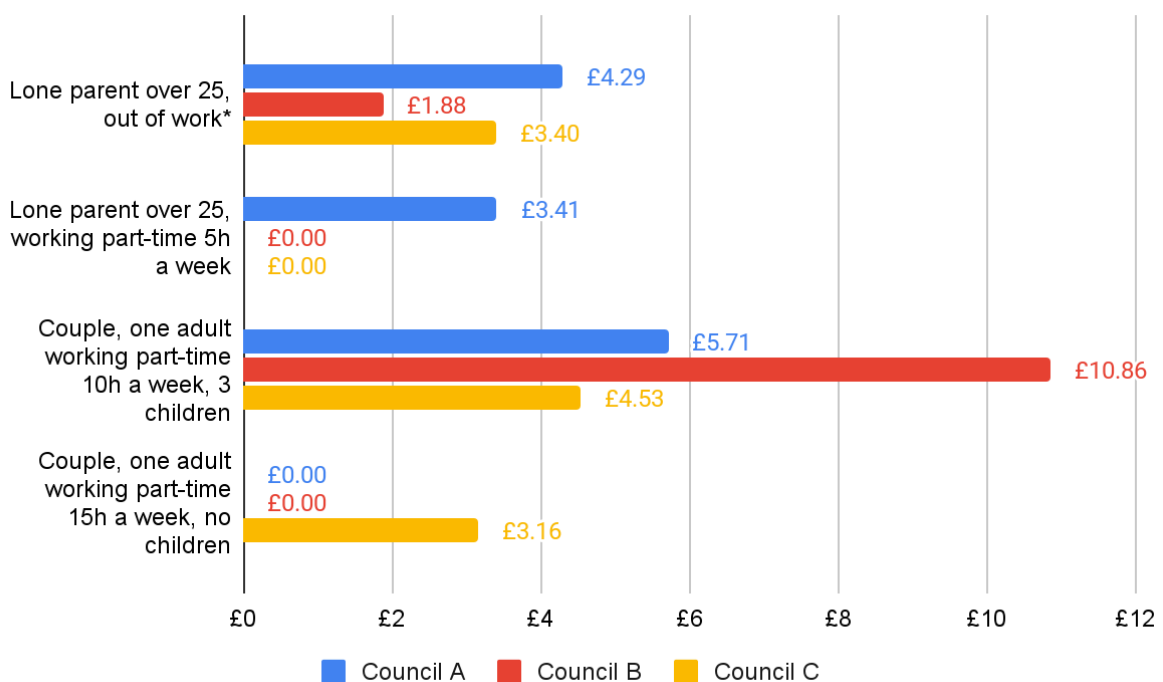


Figure 2 highlights striking differences in Council Tax bills for households with similar circumstances, even when they live just a few streets apart. Local councils not only set varying Council Tax rates but also prioritise different households. There's no single "most generous" council, support varies widely depending on the family's composition and circumstances. For example, Council B offers the greatest relief to large working families, while Council A appears to provide the most support for lone parents.

One in four councils have a different maximum award for vulnerable groups

As CTR schemes began to mature, some local authorities chose to create protected groups with built in mitigations, making their schemes more generous for some, though increasing administrative complexity at the same time.

The introduction of locally protected groups resulted in schemes with split maximum awards: one for protected and one for non-protected groups. Like many aspects of CTR policy fragmentation, the definition of protected groups varies among those local authorities that introduced them.

The most common protected groups are:

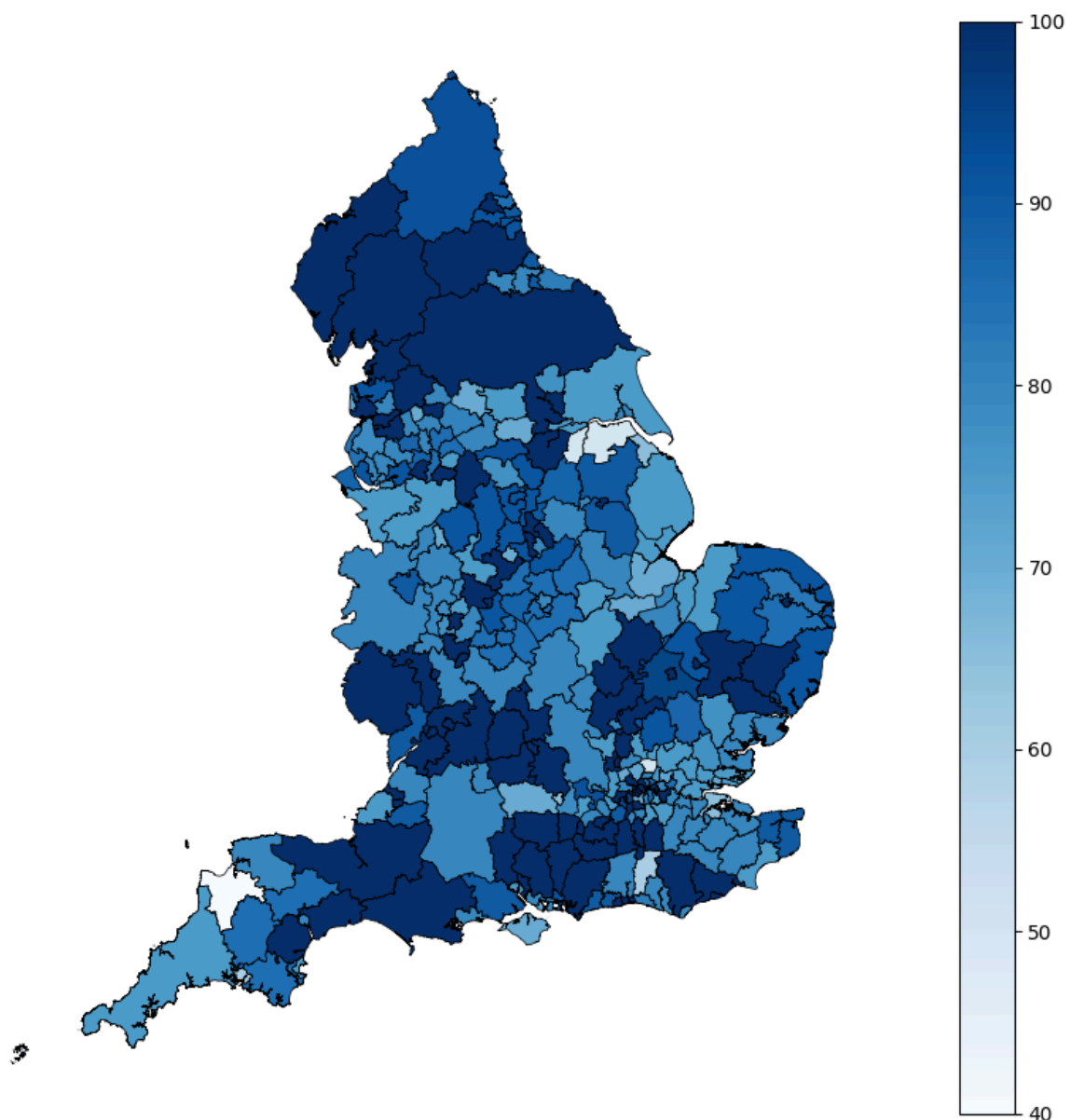
- Lone parents with a child under 3 or under 5 years of age
- Claimants receiving Personal Independence Payment (PIP) or Disability Living Allowance (DLA)
- Claimants receiving Employment or Support Allowance (ESA) or one of the Limited Capability for Work elements of Universal Credit
- Claimants receiving Carer's Allowance

For CTR schemes with protected groups, one in four have a different maximum award for protected groups. The average award for locally defined protected groups is 96% of a Council Tax bill, with 47% of councils offering 100% discounts. This level of support is higher than the 86% average support available for non-protected working age residents.

However, it is in the varied maximum award levels that we see CTR's biggest issue - fragmentation.

Figure 3, developed using data from the Policy in Practice Better Off Calculator which models all 296 English CTR schemes, provides a window into the levels of fragmentation seen in maximum CTR levels across England.

Figure 3: Working age maximum award for non-protected groups across local authorities in England, 2024-25



Source: Data from Policy in Practice's Better Off calculator
Excludes protected groups and passported cases.

In England, there are currently 296 Council Tax Billing Authorities (the local government level at which CTR schemes are decided). While Local Government Reorganisation intends to cut this number drastically, this means that there are currently 296 independent CTR schemes, each with its own rules, eligibility criteria, and levels of support.

This level of fragmentation has created a postcode lottery of support, where the amount of CTR a low income household receives depends entirely on where they live rather than their level of need.

Despite more than a decade of budget cuts, 47% of English councils still offer 100% support, meaning the lowest income households pay nothing towards their Council Tax bill. The number of councils increasing levels of support to 100% has increased from 41% in 2020-21, delivering a welcome financial reprieve for their residents.

Regional trends: No clear pattern and no North-South divide

Over the last five years, CTR maximum rates display a relatively stable trend across most English regions. While regional socio economic disparities are well documented, we don't observe a clear regional pattern or a clear divide between North and South.

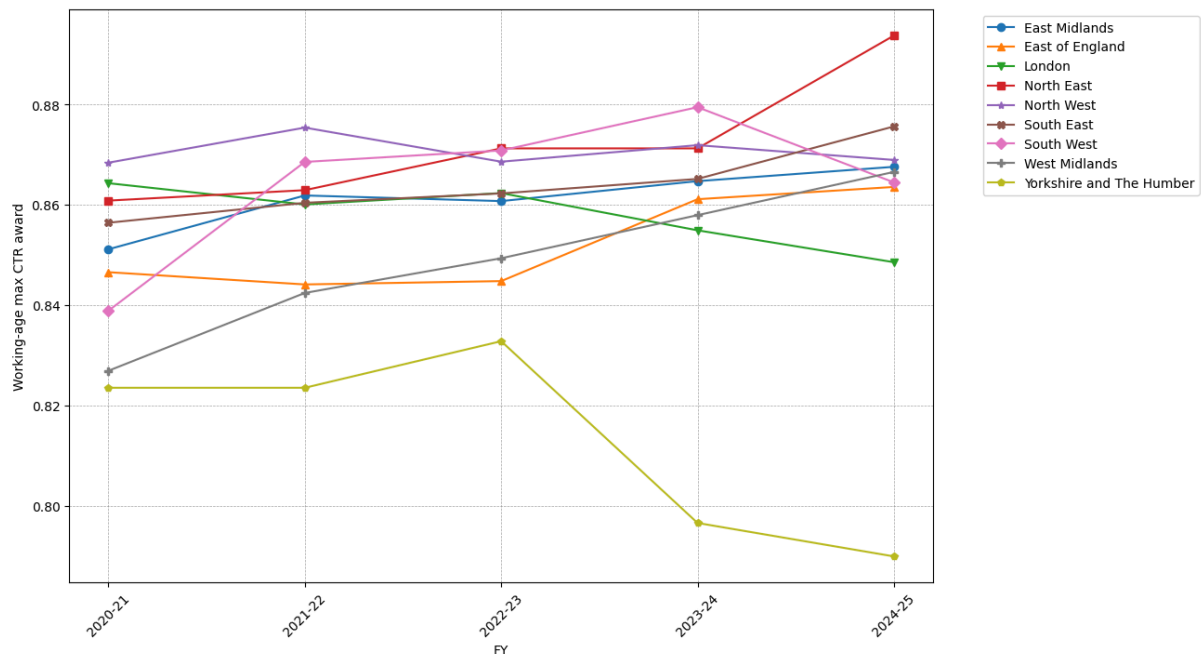
Given that it is England's traditionally most deprived region, it is not surprising to see that the North East had the highest average maximum award in 2024-25, increasing 3 percentage points from 86% in 2020-21 to 89% today.

Conversely, the neighbouring region of Yorkshire and the Humber is both a clear outlier and an example of the fragmentation of CTR design, showing the steepest decline in maximum support, dropping from 82% average support in 2020-21 to 78% in 2024-25.

Between those two neighbouring regions, the difference in the level of support is now more than 10%, meaning residents in the North East face an average Council Tax bill after CTR of 11% of their bill: £194.70 for the year. In neighbouring Yorkshire and the Humber, residents are liable for an average 22% of their Council Tax bill of £389.40, twice the bill for residents in the North East.

Figure 4, again using data taken from Policy in Practice's Better Off Calculator, shows the change in the maximum award broken down by regions across England. Nationally, the average maximum award has remained at around 87% - 88%.

Figure 4: Change in average maximum award across regions from 2020-21 to 2024-25



Source: Data from Policy in Practice's Better Off calculator

Further south, the maximum CTR in London has also decreased. In 2020-21, the average support available was 86%, down to 84% in 2024-25. This decline may exacerbate financial pressures on low income households in the capital, where a quarter of the residents are currently living in poverty.⁸

Meanwhile, the West Midlands, which has the current highest poverty rate in England at 27%⁹, offers a higher average maximum award compared to both London and the North West, the country's second most deprived region.

⁸ Tabbush, J, Mitchell, M., Cottel, J. and Harding, C. (2023). [Homes fit for Londoners. Solving London's housing crisis](#). Centre for London

⁹ Joseph Rowntree Foundation (2025). [UK Poverty 2025](#).

Other trends: taper rates, band caps and banded schemes

The maximum level of support is not the only area to vary across CTR schemes. Taper rates, Council Tax band caps and even the type of scheme available switches from council to council.

To understand some of these changes, we need to introduce some technical terms.

Applicable amount: This is the amount of income a household is considered to need to meet its basic needs based on its household circumstances. In benefits, the applicable amount is a key threshold: if your income is under your applicable amount, you qualify for the maximum level of support your council offers. If your income is above your applicable amount, the amount of support you get starts to reduce in line with your council's *taper rate*.

Taper rate: This describes the sliding scale at which support is reduced the more income a claimant has over their applicable amount. For example, if a taper rate is set at 20%, someone earning £100 over their applicable amount will see a £20 drop in the level of support they will be awarded. If the taper rate is higher, support will reduce more quickly. In old CTB schemes and CTB *default schemes*, the standard taper rate is 20%.

Default scheme: Since 2013, councils have had a choice between designing their own CTR scheme or adopting the 'default scheme'. The default scheme is a replica of CTB rules. Councils using the default scheme benefit from less administrative complexity and little to no change for their residents. The downsides include a maximum level of support set at 100%, a financial impossibility for most councils. Very few councils use the full default scheme, but most use it as a starter-for-ten scheme upon which they build their local revisions.

Most councils with the default scheme kept the 20% taper rate, while those that didn't increased the local rate

The default scheme prescribes a taper rate of 20%. This is the rate by which support is removed for each £ above a set needs level. A higher taper rate decreases the amount of support available to households as their income increases. As outlined above, if a household income exceeds the applicable amount by £100 a month, under the default scheme, £20 will be deducted from the maximum award. If the taper increases to 30%, in

the same case, the withdrawal from maximum support will increase to £30 a month. As of 2020, 94% of local authorities in England that adjusted the taper rate chose to increase it.

While only around 6% of councils have chosen to alter their CTR taper rates, for those who have, the impact on the residents can be significant.

As of 2020, 94% of local authorities in England that adjusted the taper rate chose to increase it. While it may make sense to reduce support based on higher levels of income, when working means keeping less of what you earn, setting a taper rate too high risks the scheme disincentivising employment.

One in three schemes limits support by Council Tax Band

For Council Tax purposes, residential properties are placed into one of eight Council Tax bands from A to H, based on how much the property is worth. Households in lower bands are asked to pay less, and those in higher bands pay more.

Capping CTR and restricting support based on Council Tax band is based on the premise that people living in higher value properties can, and should, pay more Council Tax. For policymakers, basing levels of support on Council Tax bands is intended to act as a housing policy lever pulled to incentivise households under-occupying larger properties to move.

Alongside other similar benefits/housing levers, such as the so called bedroom tax, a reduction in benefits based on under occupation of larger properties, there is no evidence to suggest such policies led to increased downsizing in local property markets¹⁰.

Despite a lack of evidence supporting its effectiveness, CTR schemes with Council Tax band caps continued to climb, peaking in 2020-21, when one in three schemes restricted support based on Council Tax band.

¹⁰ Understanding Society (2023). [New policy evaluation: did the 'bedroom tax' work?](#)

Table 2: Number of councils applying a Council Tax band restriction

	2020-21	2021-22	2022-23	2023-24	2024-25
A	8	8	8	8	8
B	6	6	6	6	6
C	11	11	13	12	13
D	65	66	63	61	58
E	9	11	12	11	10
Total	99	102	102	98	95

Source: Data from Policy in Practice's Better Off Calculator

For eight councils, CTR is limited to households in Band A properties only.

Despite all eight councils applying a Band A cap are located in North or mid country regions, where there are proportionately more dwellings in the lower Council Tax bands, the Council Tax band composition of the housing stock in these councils varies significantly.

In Rochdale, for example, nearly 50% of properties are Band A, but in Stockport, only 24% of properties are valued into Band A for Council Tax, leaving 76% of households immediately excluded from CTR.

The Council Tax banding system has made Council Tax an infamously regressive tax. Households living in lower bands pay disproportionately more than households in higher bands.

While it could be argued that Band Caps for CTR work against Council Tax regressivity, Band Caps present a different challenge as CTR Band Cap restrictions disproportionately impact larger families, particularly those with children living in larger properties.

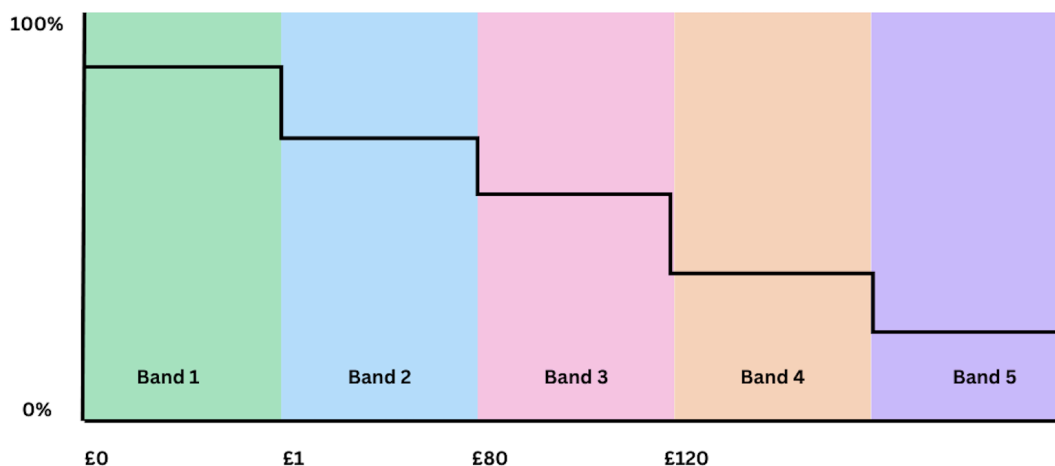
The number of CTR schemes with a Band Cap is reducing, but at 32%, the overall proportion of CTR schemes with a Band Cap remains high. Every CTR policy choice is one that inevitably creates winners and losers, and although Band Caps present a potentially neat solution to drawing support lines, larger families who cannot reasonably downsize are being left without support.

The number of banded schemes increased by 63%

Despite the vast array of schemes, CTR scheme types fall into two categories: banded and not banded. Not to be confused with Council Tax bands, an income banded scheme places residents within an income band to determine the level of support they will receive.

Figure 5 illustrates how income bands typically work. A CTR claimant with an income of £85 per week will fall into Band 3 and will not see their level of support change until their income either drops below £80 per week or increases above £120 per week.

Figure 5: Illustrative example of a banded scheme



To understand why banded schemes are effective and more efficient, we need to introduce two more technical terms:

Universal Credit Data Sharing (UCDS): The Department for Work and Pensions sends all councils with a CTR scheme a daily list of updated income for its working age residents who claim both DWP benefits like Universal Credit and CTR. This flow of data ensures that CTR claims are as up to date as Universal Credit claims and use the most up to date earnings. This data share also means claimants do not have to keep multiple teams updated on their income, and since most income changes originate with an automated notification from HMRC, updating income for some benefits has never been easier. **The challenge with CTR automation under the current rules of data sharing between DWP and councils is that households may lose their entitlement to support when they move into work and subsequently need to reapply if they then move out of work.**

Council Tax billing administration: If CTR support levels change, a new Council Tax bill (called an adjustment notice) must be produced. Even if the change is pennies. These adjustment notices must provide 14 days' notice of a new payment date and can create 'new liabilities', meaning different chunks of one Council Tax bill can be subject to multiple debt recovery.

Our research on income volatility¹¹ has found that more than half of UC claimants have income that changes every month. This means a household with frequent minor changes to income could receive up to 12 Council Tax bills in a year, each with a different level of support.

To counter the frequent changes created by fluctuating incomes, banded CTR schemes reduce administration, complexity, and postage. With fewer changes to make when incomes fluctuate, councils do not need to adjust claims, send new bills, or field front line calls.

However, banded schemes are not a panacea: they can create cliff edges. This means that support can drop dramatically when income crosses a banding threshold, and if the bands do not reflect local income variation, banded schemes can create arbitrary disadvantages.

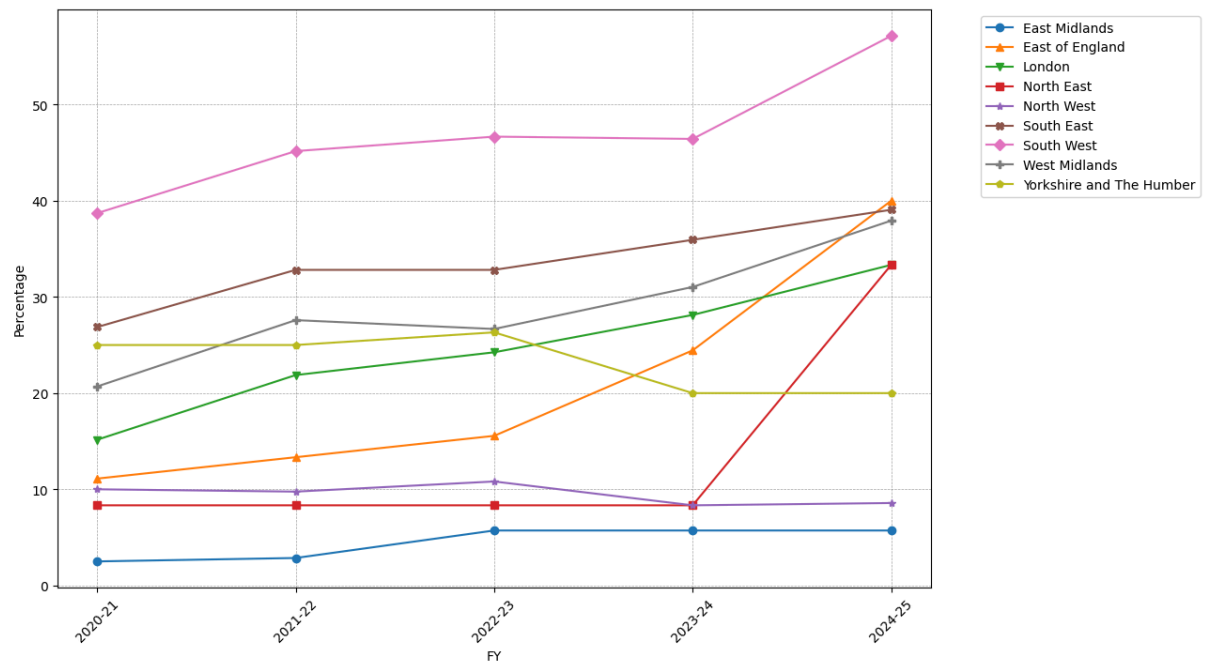
On the whole, banded schemes do deliver administrative savings and simplify schemes for residents, evident in the increased adoption of banded schemes, in particular over the last five years.

This increase is particularly evident in the East of England, illustrated in Figure 6, where the number of councils implementing banded schemes has increased from 11% to 40% since 2020-21. Conversely, councils in Yorkshire and the Humber are bucking national trends and the number of banded schemes has reduced¹².

¹¹ Johnson, T., Ghelani, D., Walker, R., Chalesworth, Z. (2025). [Cheques and imbalances: How income varies throughout the year for Universal Credit households](#). Policy in Practice & Joseph Rowntree Foundation

¹² Because of boundary changes the number of Councils in Yorkshire and the Humber has decreased from 20 in 2020-21 to 15 in 2024-25.

Figure 6: Banded schemes across England from 2020-21 to 2024-25



Source: Data from Policy in Practice's BetterOff calculator

Affordability, CTR and collection rates

In 2023-24 English local authorities billed approximately £39 billion in Council Tax revenue. In this same year, councils collected an average of 95% of all Council Tax, leaving nearly £2 billion for the year uncollected, and £2 billion more added to household debt.

Council Tax collection rates are impacted by socio economic conditions, administrative effectiveness, and debt recovery practices. Improving collection rates involves tackling local challenges, providing support to those who are struggling, and ensuring fair and lawful collection.

While our analysis does not fully encompass all the factors that drive collection rates, we do explore the potential influence of socio economic factors and scheme design on collection.

The link between maximum award levels and collection rates is complex. Adjusting the maximum CTR award is not the only way to reduce the support available to residents. As discussed in earlier sections, factors such as Band Caps and changes to non dependant deductions can significantly impact CTR eligibility and generosity. Additionally, reductions in support often take time to affect collection rates: many households manage temporarily before falling behind on payments. Local policies also play a crucial role, including debt write offs, collection and enforcement practices, and overall affordability of Council Tax.

Having said that, there is a clear relationship between affordability and Council Tax collection.

Local authorities in more affluent areas collect more Council Tax

Tables 3 and 4 show the Council Tax collection rates among the 10 local authorities with the highest and lowest collection rates, as well as their Council Tax minimum contribution level and income deprivation score¹³.

¹³ Income deprivation measures the proportions of the population on low income. defined as being out of work, receiving certain means tested benefits or in work but on low-earnings. Ministry of Housing, Communities & Local Government (2019). [English Indices of Deprivation 2019: technical report](#).

All councils with high levels of collection rates have extremely low indices of income deprivation, and unsurprisingly, the reverse pattern can be observed in the councils with low collection rates.

For councils with the highest collection rates, concerns over revenue raising are lessened, and as such, these councils can, on the whole, afford to provide more generous CTR schemes. As a result, we see that the average minimum Council Tax contribution is lower among councils with the highest collection rates.

For councils in the top ten for Council Tax collection rates, we also see a clear relationship with income deprivation. Residents of these councils have an average income deprivation score of 0.06.

Table 3: Minimum contribution, collection rates, and income deprivation score in local authorities with the top ten highest Council Tax collection rates in 2023-24

Local authority	Collection rate 2023-24	Minimum contribution 2023-24	Income deprivation score
Surrey Heath	99.35%	20%	0.05
South Cambridgeshire	99.30%	5%	0.06
Cambridge	99.27%	0%	0.08
Wokingham	99.26%	22%	0.04
Ribble Valley	99.12%	0%	0.06
Rushcliffe	99.02%	9%	0.06
Epsom and Ewell	98.96%	20%	0.05
St Albans	98.80%	0%	0.06
Rochford	98.67%	25%	0.07
New Forest	98.65%	10%	0.08

Source: Data from Policy in Practice's Better Off Calculator, Department of Levelling Up, Housing and Communities - collection rates for Council Tax and non-domestic rates in England, 2023 to 2024, ONS - Households by deprivation dimensions.

Table 4: Minimum contribution, collection rates and income deprivation score in local authorities with the ten lowest Council Tax collection rates in 2023-24

Local authority	Collection rate 2023-24	Minimum contribution 2023-24	Income deprivation score
Liverpool	85.55%	9%	0.24
Knowsley	86.99%	20%	0.25
Manchester	87.78%	18%	0.22
Hackney	88.81%	15%	0.20
Blackpool	88.97%	27%	0.25
Newham	89.40%	20%	0.17
Preston	90.17%	20%	0.16
Birmingham	90.91%	20%	0.22
Portsmouth	91.77%	20%	0.13
Nottingham	92.08%	20%	0.21

Source: Data from Policy in Practice's BetterOff calculator, Department of Levelling Up, Housing and Communities - collection rates for Council Tax and non-domestic rates in England, 2023 to 2024, ONS - Households by deprivation dimensions.

Councils sitting in the bottom ten for Council Tax collection rates have an average income deprivation score of 0.20, a score more than 230% higher than the average income deprivation score of 0.06 in the top ten authorities.

Despite these councils having the lowest Council Tax collection rates in England, we see a clear pattern in the generosity of CTR support. Only one council in the bottom ten has a minimum contribution under 10%. For councils in the top ten for collection rates, all but four have a minimum contribution at 10% or lower.

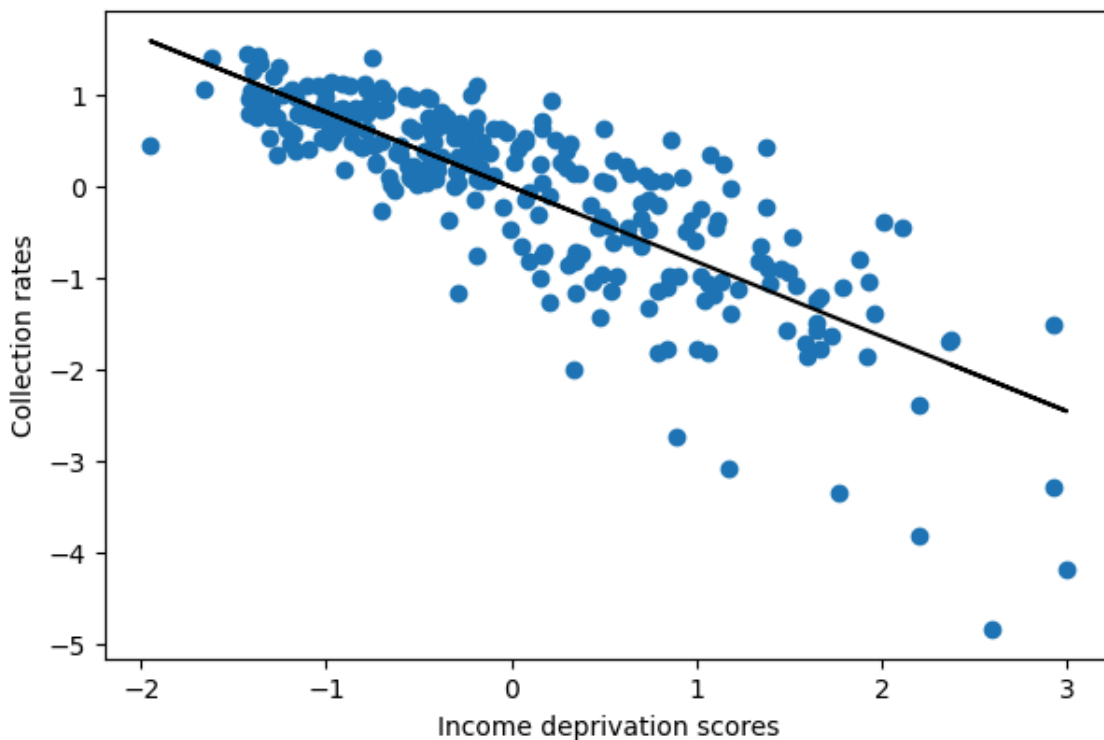
There are other factors at play. With the exception of Wokingham, all councils in the top ten are non-metropolitan districts, or lower tier, smaller authorities. All but the Ribble Valley, which is in Lancashire in the North West, are in the East and South East of England.

For councils with the lowest collection rates, all but Preston are upper tier Unitarities centred around cities, and while there is greater geographical spread, five of the top ten are in the North West. An example of the postcode lottery for councils can be seen here too;

Preston, with the 7th lowest collection rate, borders the Ribble Valley, where collection rates place them 5th nationally.

To confirm that the relationship between income deprivation and collection is statistically significant, we looked at their correlation¹⁴. The horizontal line in Figure 8 represents the income score, plotted against the vertical line, collection rates¹⁵. This clear relationship demonstrates that higher levels of income deprivation are associated with lower levels of Council Tax collection rates.

Figure 8: Income deprivation scores and Council Tax collection rates - 2023-24



These findings tell us that households in areas of higher income deprivation face higher Council Tax debt alongside less generous CTR schemes, meaning Council Tax bills are higher for households in more deprived areas as a result of CTR scheme design.

¹⁴ $r(287) = .82, p < .001$

¹⁵ The values have been standardized using z-scores.

Added to the general regressivity of Council Tax and low income households in more deprived areas are being hit with higher costs, higher arrears, and their council services are likely to suffer as a result of lower revenue generation.

Households in Council Tax arrears are often presented with unaffordable bills, bills that increase as a result of the added costs of collection practices. StepChange, a charity that provides free debt advice, has reported a sharp rise in the numbers of people seeking help because of Council Tax arrears since 2015 when average arrears started to climb from £832 to £1,726 in 2023¹⁶ - a 107% increase¹⁷.

According to StepChange, there are key demographic factors influencing Council Tax arrears beyond income deprivation:

- Households in Council Tax arrears are more likely to be renting privately
- Households in Council Tax arrears have a lower disposable income, on average £74 per month after covering essential bills
- Households in Council Tax arrears are more likely to also be behind on other essential bills such as electricity and water to try to keep up with Council Tax where there are financial penalties to missing payments in the form of recovery costs

Adding pressure to low income household budgets, benefit levels have lost nearly 9% of their real term value since 2012. In 2022, the basic rate of Jobseekers' Allowance saw its biggest drop in value since 1972¹⁸.

Council Tax arrears are clearly influenced by many factors from income deprivation, benefit levels and freezes, Council Tax band, and wider economic influences none of which are within a local authority's control.

One of the few areas within the council's control however, is their CTR scheme. Difficult decisions are clearly being made at each local authority, and for councils with higher

¹⁶ StepChange (2024). [Looking through the keyhole: StepChange debt advice clients' experiences of the council tax debt collection journey.](#)

¹⁷ StepChange (2015). [Council tax debts How to deal with the growing arrears crisis tipping families into problem debt.](#)

¹⁸ Joseph Rowntree Foundation (2022). [Fifty years of benefit uprating.](#)

deprivation and lower collection rates, there is a clear pattern of having to make the toughest of decisions to roll back support for the lowest income households in order to protect council budgets.

One last intersection we explore is the relationship between CTR schemes and general Council Tax increases. In the next section we outline how CTR changes can mean Council Tax bills for claimants can increase by as much as 90% overnight.

Council Tax increases are not evenly spread

Over the five year period for this analysis, Council Tax bills increased nearly 20%¹⁹ from 2020-21 to 2024-25²⁰.

When setting the levels at which councils can increase Council Tax, the Secretary of State sets an annual referendum principle, setting the level that a council can set an increase without a local referendum.

In 2024-25, central government capped Council Tax increases at 3%, allowing an extra 2% increase in councils that provide social care services. As a result of the increase in section 114 notices, some councils were given special dispensation to raise Council Tax levels by as much as 10% in 2024-25²¹ and 2025-26²².

These increases are added to every bill.

¹⁹ Average estimates based on a band D council tax bill.

²⁰ Department for Levelling Up, Housing & Communities (2024). Council Tax levels set by local authorities in England 2024 to 2025.

²¹ Birmingham City Council (2024). Budget proposals 2024-5 and 2025-6.

²² Ministry of Housing, Communities & Local Government (2025). [Council Tax levels set by local authorities in England 2025 to 2026](#).

However, if a CTR scheme changes in the same financial year, low income households may see a much higher increase in their Council Tax bill.

Figure 6 shows the changes between financial years. In the example below, the council decreased the maximum award from 85% to 63%. We can observe how it affects groups differently.

Figure 6: Council Tax payments in 2024-25 and 2025-26

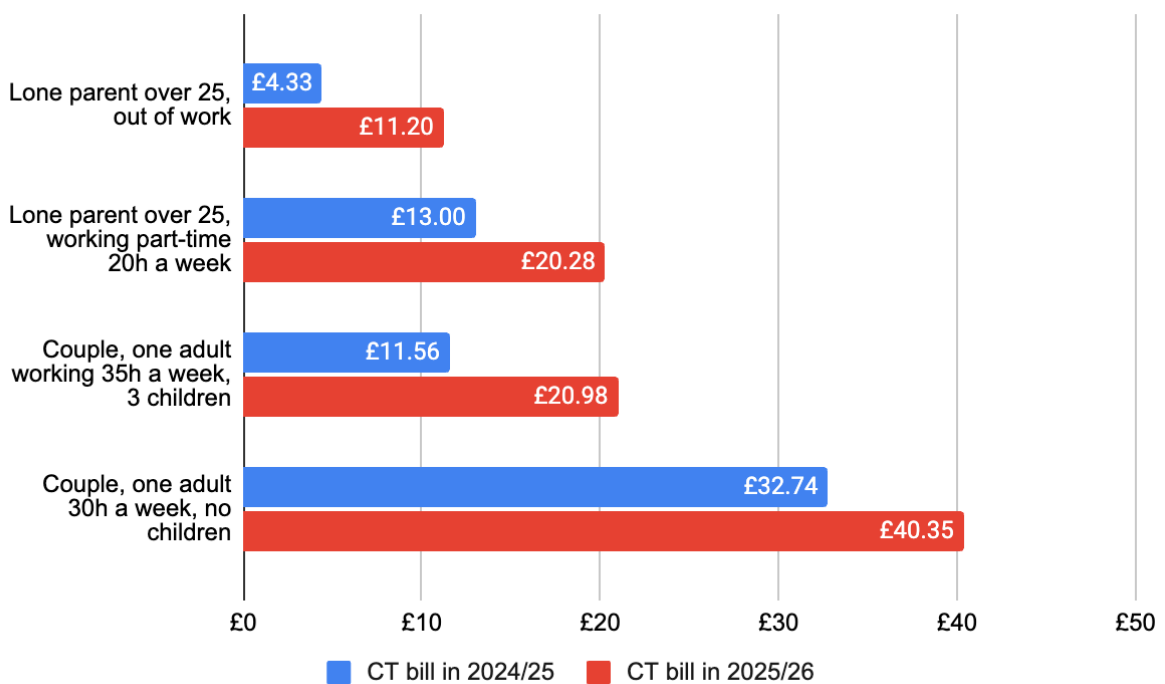
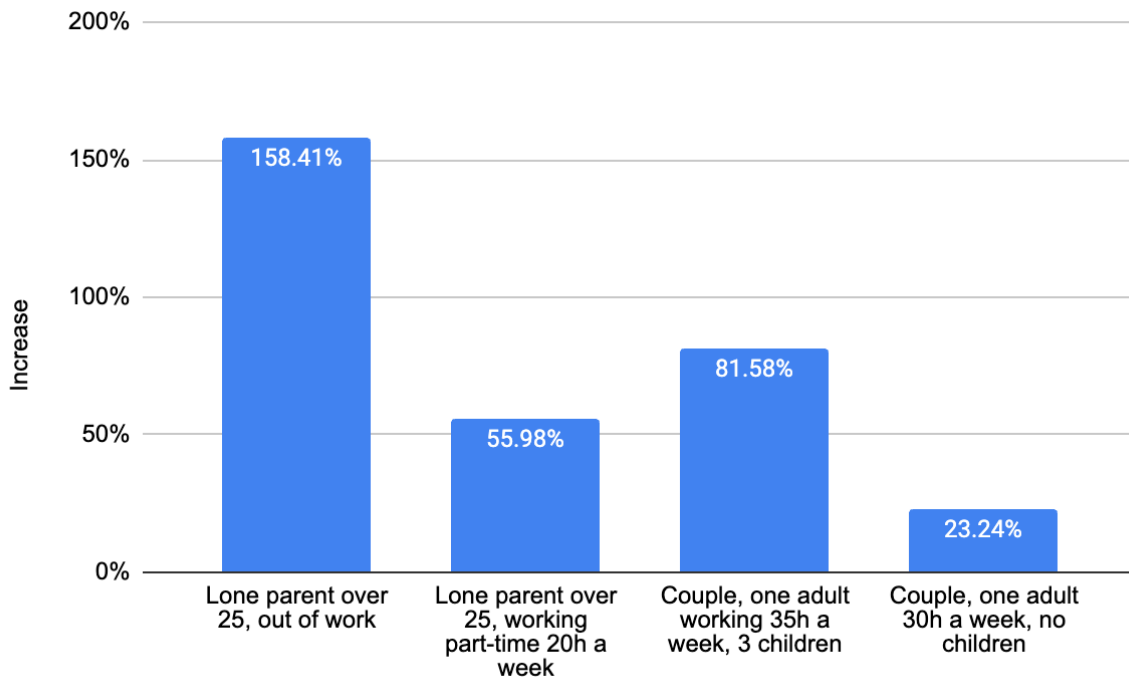


Figure 7: Percentage increase in Council Tax payments, taking into account CT liability increase and changes to CTR scheme



When combining the Council Tax increase with changes to the CTR scheme, the financial impact is uneven across households. For example, a lone parent who is out of work and previously paid £4.33 per week of Council Tax will see their Council Tax bill rise to £11.20 from April 2025, a sharp increase of 158%.

By contrast, a couple without children will experience a much smaller change. Although they will lose eligibility for CTR in 2025-26, their current entitlement is relatively low at £5.78 per week, resulting in a more modest Council Tax increase of just 23%.

These disparities highlight how the combined effect of policy changes and increases in Council Tax liability can disproportionately burden some households over others, raising concerns about fairness and affordability for those on the lowest incomes.

Conclusion and recommendations

This report has shown, in stark terms, the cumulative impact of more than a decade of fragmentation in CTR schemes across England.

Since the abolition of Council Tax Benefit in 2013, working age households have seen support gradually eroded through funding cuts, eligibility restrictions, and inconsistent local design. The result is a postcode lottery in which low income families in neighbouring authorities face radically different Council Tax bills, despite being in similar circumstances.

Council Tax arrears have reached record highs, surpassing £6 billion, as affordability declines and minimum contribution requirements increase.

Councils in the most deprived areas, faced with the toughest financial pressures, often offer the least generous support, creating a regressive system in which those with the lowest incomes pay more, and fall into debt faster. Meanwhile, administrative complexity, exacerbated by poor alignment with Universal Credit, continues to depress take up and generate inefficiencies.

Despite this, there are signs of positive change. Nearly half of English councils now offer 100% support to working age households, up from 41% in 2020–21. Banded schemes are gaining traction, reducing volatility and administrative burden, and aligning better with Universal Credit's monthly assessment periods. The move towards simplified schemes, flat rate non-dependant deductions, and better use of Universal Credit data present a clear route to more effective, sustainable CTR delivery.

Local Government Reorganisation presents both a risk and an opportunity. As over 160 district schemes are due to be consolidated into new unitary authorities, policymakers have a one time opportunity to build fairer, simpler, and more equitable support schemes from the ground up. But this will require strategic planning, robust modelling, and political commitment to protect those most at risk.

In the face of rising bills, welfare reforms, and declining real term benefit values, CTR schemes must be reimaged as the first line of defence for households in financial hardship, not a fragmented patchwork of crisis management. The decisions made now will shape not only the financial resilience of low income households but also the fiscal health of local authorities for years to come.

The following recommendations draw on the best of emerging practice to support councils in redesigning CTR schemes that are fair, administratively viable, and fit for a rapidly changing welfare landscape.

Recommendations

1. Adopt a banded scheme

Councils that have introduced banded CTR schemes see reduced administrative costs, minimise fluctuations in support caused by income volatility, and make it easier for residents to understand their entitlement. Residents can easily find out from a table how much they are eligible for, potentially increasing take up. Reduced complexity drives efficiency.

2. Implement flat rate non-dependant deductions

Standardised deductions remove the need for councils to gather additional income data on non-dependants, reducing administrative burdens and providing greater certainty for households. Again, reducing complexity provides reduced administrative burdens, makes claiming easier and simpler, and can support households most in need.

3. Consider changes to exemption criteria for non-dependants and protected groups

Some councils have adjusted their exemption criteria to align with Universal Credit data, replacing Personal Independence Payment (PIP) and Disability Living Allowance (DLA) exemptions with Limited Capability for Work (LCW) or Limited Capability for Work-Related Activity (LCWRA) exemptions to reduce administrative complexity and maximise the use of UCDS data.

4. Start planning now for Local Government Reorganisation

The English Devolution white paper set out plans to move away from the current two tier system of district and county councils. This means that 164 district councils will no longer exist, and many will need to align their schemes with their neighbours when they form a larger Unitary Authority. Look now at the CTR schemes of surrounding local councils and start preparing. If your schemes have different levels of support, consider transitioning in steps and/or creating a transitional protection element for residents.

5. Model to understand impact

Once you have set clear objectives with your elected members, model the changes to understand the economic and social impact. The welfare landscape is changing fast. It's important to build schemes that are stress tested to account for the migration to Universal Credit, benefit uprating and changes to the disability benefits that will come into effect in 2026-27.

6. Better data sharing between DWP and local authorities

Under the current data sharing arrangements local authorities lose visibility over households with fluctuating earnings. If the household loses employment, the CTR claim doesn't automatically resume and households often don't know they need to reapply for CTR. This manual process prevents households from accessing support and may create barriers for people to return to the workforce.

Appendix 1: Methodology

The data on Council Tax Reduction schemes across England have been extracted from Policy in Practice's Better Off Calculator. Because the calculator models every localised CTR scheme in the UK, we were able to use the data for the past five years to identify patterns and trends.

To look at the relationship between collection rates and affordability, we combined publicly available data on collection rates across England at the local authority level with the income deprivation scores available in the Indices of Deprivation dataset.

The income deprivation score measures the proportion of the population experiencing deprivation relating to low income. The scores relate to a proportion of the relevant population experiencing that income deprivation. For example, a score of 0.38 means that 38 per cent of the population is income deprived in that area.

For the purpose of comparison, the 'English Indices of Deprivation 2019' data is presented at the Lower-layer Super Output Area (LSOA) level. The data has been grouped into the local authority level using averages to be merged with other datasets.

Appendix 2: Council Tax Reduction Modelling

With the roll out of Universal Credit, many authorities are now reviewing their current Council Tax Reduction (CTR) schemes and examining policy changes that take into account the impact of Universal Credit on residents and maximise the use of Universal Credit data to make administrative cost savings.

Policy in Practice models dozens of schemes per year and is well positioned to offer guidance based on your objectives and demographics.

Our policy experts at Policy in Practice will work with your team to design working age CTS schemes that meet your budget and social impact objectives.

Council Tax Reduction modelling is based on household level analysis. We model the impact of a range of schemes on each individual low income household represented within the local authority's Housing Benefit and Council Tax Support data.

We provide a detailed aggregate impact report as well as a breakdown of the impact on different subsets of the population.

Modelling changes to your Council Tax scheme is essential for making informed, data driven decisions.

Our analysis will help you to:

1. Ensure that your CTS scheme fits with your local strategies and objectives, including the impact on vulnerable households, promoting engagement, supporting work incentives or improving the allocation of other local support such as hardship funds
2. Understand the future financial and social cost of retaining your current CTS scheme
3. Compare proposed CTS schemes against your current scheme
4. Have data and models ready for elected members and public consultation

Appendix 3: Apply Once

Apply Once aims to streamline the application process for benefits and support by allowing individuals to apply for multiple schemes with a single application and data sharing, improving customer experience and efficiency for organisations.

Application processing for your Council Tax and discretionary support schemes:

We can tailor assessments to your support schemes to ensure consistency, improving customer experience and reducing operational costs for local authorities.

Single application, multiple benefits:

The core concept of Apply Once is to allow individuals to apply for various benefits and support schemes through a single application rather than needing to re-enter the same information multiple times for different organisations.

Smart data sharing:

With consent, the data submitted in the initial application can be shared with other relevant organisations, eliminating the need for duplicate applications and improving the overall efficiency of the system.

Focus on customer experience:

Apply Once aims to simplify the application process for individuals, making it easier for them to access the support they are entitled to

Case study: Anglian Water and Apply Once

The problem: Anglian Water introduced LITE and Extra LITE tariffs to support customers with low disposable incomes who were struggling to pay their water bills, but many eligible customers were not accessing the tariff.

What they did: Anglian Water integrated its processes with the GOV.UK endorsed the Better Off Calculator allowing their customers to sign up to the right social tariff with a couple of clicks, rather than having to start all over again on the Anglian Water website and complete the additional paperwork required for the old process.

Behind the scenes: Technically, the Better Off Calculator calculated the customers' eligibility and identified the correct social tariff, displaying it only to eligible customers. Anglian Water has adopted the calculator as its primary application form for social tariffs, meaning the customer's data could seamlessly be ported through. Anglian Water verifies

the customer's benefit claim with DWP through an API. Legally, the data sharing was straightforward as users consented to the use of their data for the application.

Impact on customers: Over the last 12 months, over 60,000 customers have used the calculator to assess eligibility as part of Anglian's sign up journey online, over the phone or via support services. Many first learn about Anglian's social tariff through the Calculator and go on to apply, with over 2,800 doing so immediately through 'Apply Once.' Already 5-10% and potentially 15-30% of applications. Others will apply later after claiming more valuable benefits like Universal Credit. This shows the benefit of having the social tariff in a benefits calculator used by over 2 million people annually. The Calculator has also helped people access other benefits, with nearly 12,000 customers helped to access £9.4 million of additional support.

Impact on the utility: Anglian Water saved money, reducing manual processing costs and improving customer satisfaction.

About Policy in Practice

Policy in Practice is a social policy software and analytics company that helps hundreds of thousands of people each year to access nationally administered benefits, local support including Council Tax Support, a range of discretionary support schemes, support offered by the Scottish, Welsh and Northern Ireland devolved administrations, and a wide range of social tariffs offered by companies in regulated industries.

We believe it should be easy for people to access support. We built the award winning Better Off platform to close the unclaimed support gap we identified.

Better Off Calculator

A smart, easy calculator to help you maximise your customers' income, increase engagement and save time and resources

Low Income Family Tracker

Intelligent data analytics software to help you maximise your resident's income and reduce your costs



Multi Agency Safeguarding Tracker

Simply clever software to help safeguarding professionals securely share headline data and make more informed safeguarding decisions

Policy analysis

Essential expert social policy analysis to help you make better evidenced decisions

Each tool is powerful alone, and they're even better together, making it easy for organisations to get support to their residents. Contact hello@policyinpractice.co.uk to learn more.