

Policy position statement

Council Tax Affordability

Introduction

Council Tax pays for local government services, including police and fire services, rubbish collection, libraries, road repairs and street lighting. How much people pay depends on the area they live in and the value of their home. In the 2024-25 year, the average Band D council tax bill will be £2,171 in England¹, £2,024 in Wales², and £1,302 in Scotland³.

To help people manage these costs, local authorities administer Council Tax Reduction schemes, which are designed to lower the amount of Council Tax someone on a low income pays. Local authorities also provide other forms of discounts – such as 25% off your bill if you live on your own – but our focus is on the reduction applied for a low income.

The current system of Council Tax Reduction is based on legislation passed in 2012. The legislation sets out standard rules for Council Tax Reduction for people over State Pension age. While individual local councils administer Council Tax Reduction in their area, they must all follow these common rules for applicants over State Pension age.

If someone is receiving Guarantee Pension Credit, they are entitled to the maximum Council Tax Reduction – which is a 100% reduction minus any deductions that need to be made to this for other people living with them. If someone is not receiving Guarantee Pension Credit, but has capital of less than £16,000 and a low income, then their council will calculate how much Council Tax they should pay. If someone has capital of more than £16,000 and is not receiving Guarantee Pension Credit, then they will not be entitled to Council Tax Reduction⁴.

Council Tax Reduction can be a vital form of support for older people living in financial hardship. However, estimates suggest that only 75% of eligible pensioners are currently receiving Council Tax Reduction, meaning that older people are missing out on approximately £903 million of this important form of financial support⁵.

Evidence

Between April and July of 2023, Independent Age carried out research into how people in later life were coping with their household bills. This research included nationally representative YouGov polling of over 2,200 people aged 65 and over from England, Scotland and Wales, as well as a self-selecting survey completed by over 1,700 people aged 65 and over from across the UK.

The nationally representative YouGov polling found that the affordability of Council Tax is a concern for a considerable number of people in later life facing financial hardship. Among respondents aged 65+ on a low household income – less than £15,000 – in Great Britain, 33% said they were worried they would not be able to pay their Council Tax bills when thinking about their financial situation over the next six months, and 40% said they had struggled to keep up with their Council Tax Bills over the last six months.

In our survey of people in later life, we asked respondents who receive Council Tax Reduction how it has affected their lives.

“I couldn’t manage without it!” John, 70s

“I use the saving to pay for [my] weekly shop and other household expenses. It helps to ease the constant worry re income.” Jennifer, 73

According to our survey, one of the main reasons that people in later life in financial hardship are missing out on Council Tax Reduction is because they don’t know this support could be available to them. Our findings showed that 18% of respondents with a household income of less than £15,000 did not know about Council Tax Reduction before taking part in our survey. When we invited respondents to share their experiences of applying for Council Tax Reduction, several respondents mentioned the discount for living alone. This suggests there could be some conflation of the two forms of discount, and the number of people aware of Council Tax Reduction may be even lower.

To help ensure that awareness-raising activities reach people in later life, we asked respondents

what they felt local authorities could be doing to increase awareness and uptake of Council Tax Reduction among eligible people aged 65 and over.

Respondents emphasised the need for more information about Council Tax Reduction on Council Tax forms and bills. This was one of the main ways that older people across all income groups who knew about this support had heard about it (38%). Respondents also suggested more advertising through television, radio, email and local newspapers, as well as through third-party organisations such as charities and community groups. However, there is also value in using different methods of communication alongside this, especially because some people mentioned learning about Council Tax Reduction on their local authority's website (14%), through their friends and family (10%), through Independent Age (4%), or from the UK Government (8%).

A number of respondents also suggested that we needed greater promotion of Council Tax Reduction to people applying for other forms of financial support such as Pension Credit, or more automated and joined-up application processes.

"Maybe when you get your paperwork granting GPC [Guarantee Pension Credit], a leaflet included, explaining what other support you can get." Woman, 60s

"It could be automatic once Pension Credit was approved – central connection of such services should be easy these days." Linda, 70s

Council Tax Reduction is a vital form of financial support for older people living in poverty. Our research shows that more needs to be done to ensure that people in later life living on a low income aren't paying more than they should be towards their Council Tax bills.

Policy recommendations

- Central government and local authorities should work together to increase uptake of Council Tax Reduction, to ensure that all older people receive the support for which they are eligible.
- Central and local governments should explore the potential of improved automation, in order to simplify and streamline the process by which older people receive Council Tax Reduction.

Other resources

'A constant struggle' – The impact of high household costs on older people facing financial hardship. Independent Age, September 2023. Available from: <https://www.independentage.org/campaigning/household-costs-report>

The hidden two million – The reality of financial hardship in later life. Independent Age, June 2023. Available from: <https://www.independentage.org/policy-and-research/research-reports/HiddenTwoMillionPolicyReport>

'Not enough to live on': Pensioner poverty in Scotland. Independent Age, February 2023. Available from: <https://www.independentage.org/pensioner-poverty-scotland-report>

¹ Council Tax levels set by local authorities in England 2024 to 2025, Gov.uk, 24 April 2024, see <https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2024-to-2025/council-tax-levels-set-by-local-authorities-in-england-2024-to-2025>

² Council Tax levels: April 2024 to March 2025, Gov.Wales, 24 April 2024, see <https://www.gov.wales/council-tax-levels-april-2024-march-2025>

³ Council tax datasets, Gov.Scot, 30 March 2023, see <https://www.gov.scot/publications/council-tax-datasets/>.

⁴ Welfare Benefits & Tax Credits Handbook, 2023/24, Child Poverty Action group, 2023.

⁵ Missing out 2024: £23 billion of support is unclaimed each year, Policy in Practice, April 2024, see https://policyinpractice.co.uk/wp-content/uploads/Missing-out-2024_23bn-of-support-is-unclaimed-each-year.pdf?vqo_ee=vG4JLqfnKuU48qoLySu1WkiOhqqx5HHS8IBAWaq6iCmUCfXCqbROGCuB1G0eCaE%3D%3Azca%2BsBphwMIA4EDtHrjPkCmP0mOmItCy