

Appendix A - Council Tax Reduction: Wider economic/advice service impacts

Gross Income and Disposable Income

- According to the [latest data](#) (from 2018), the average gross income (after housing costs) for a person in Withywood was £18,500¹. This is compared to the highest MSOA of Clifton where income was £39,700.
- [Research underlines](#) that lower income households currently spend a higher proportion of their income on council tax. See Appendix A for the proportion of household expenditure per income quartile.
- In the FYE 2022, [median disposable income](#) for the lowest fifth incomes of the UK population decreased by 3.8% to £14,500 (following a decrease of 2% between 2020 and 2021). An average loss of £293.45 in Council Tax Reduction would represent a further 2% loss in this disposable income.
- Households from the lowest fifth incomes with children have a median disposable income of only £12,445.
- The initial loss in disposable income was mainly driven by real-terms salary and benefit value. If [relative earnings](#) continue to decline as expected, then lower income households' spending power will be further reduced.
- **Risk** – Significant reductions in disposable income for the lowest income households (those who benefit from CTR) will drive diminished economic activity.

Non-essential spending

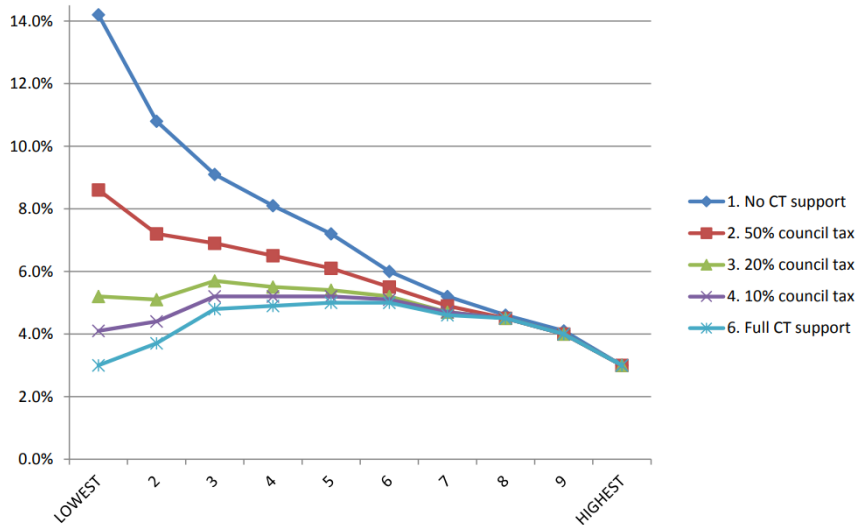
- Overall, the [OBR predict](#) that economic consumption will fall by 2.7% between Q2 of 2022 and Q3 of 2023. A reduction in CTR support would likely lead to less consumption.
- During the first [full year of pandemic](#) (March 2020 – March 2021), average weekly household spending fell by more than £100. For the lowest income households, spending fell by 12.5% in this period.
- For obvious reasons, the greatest reductions in expenditure were on recreation and culture, and restaurants and hotels. It is conceivable that these areas could be hardest hit by household's limited spending power.
- It should be noted that lower income households spend less in these areas, but the [latest data](#) shows that the average two-person household in the lowest income quartile spends 12.7% of their income on recreation.
- According to [latest data available](#), working age adults were responsible for the majority of spending on clothing and footwear (64%), recreation and cultural services (56%) and restaurants and hotels (56.6%).
- While far from a perfect comparison; the reduction in income for lower income households during the pandemic is a demonstrator of the potential impact of increased council tax liability on spending power.

Other economic impacts

- Between 2017 and 2023, the rateable value of retail sector properties in Bristol [fell by 9%](#).
- Business rates currently account for approximately a quarter of council spending power. With decreasing expenditure on retail in Bristol, there are risks of business closures and – with potential decreases in rateable value of retail businesses – diminished income for Bristol City Council.
- In the year up to May 2023, non-domestic vacancy rates in Filwood Broadway rose from 3.7% to 7.4% (note small sample size).

¹ Measured by Medium Super Output Area

Council tax as a proportion of net household income after housing costs by income decile, under different council tax support schemes



Impact on debt levels

The Institute for Fiscal Studies published research in 2019 examining the impact of CTR schemes which introduced a minimum payment. This found reducing a household's CTR entitlement significantly increases the probability that it reports being in arrears on its council tax:

- There is no significant effect on the arrears rates of those already paying Council Tax being required to pay more
- This is entirely driven by households that would, in the absence of cuts, have been entitled to maximum CTS and hence would have had no council tax bill to pay at all

[The impacts of localised council tax support schemes | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk/publications/1014)

In September 2022, the Money Advice Trust published a report finding that 21% of all UK adults were behind on at least one household bill, however this rises to 45% of people who are claiming a means tested benefit being behind on at least one household bill.

[Impossible choices Cost of Living briefing Money Advice Trust.pdf \(moneyadvicetrust.org\)](https://www.moneyadvicetrust.org/wp-content/uploads/2022/09/Impossible-choices-Cost-of-Living-briefing-Money-Advice-Trust.pdf)

Impact on advice services

Institute for Fiscal Studies research suggests that “reductions in scheme generosity via minimum payments” are associated with enquiries to advice agencies increasing by 19-20% (relative to having no minimum payment). Data from Citizens Advice showed that ‘these effects are driven primarily by council tax debt queries, which account for the majority of council-tax-related queries’.

This research does also provide ‘evidence that, around two years after introduction, impacts on queries begin to fade. This would be consistent, for example, with people making an enquiry to Citizens Advice when initially affected by the changes but not indefinitely making repeat enquiries thereafter’.

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The Money and Pensions Service (MaPS) has a statutory duty to provide debt advice in England and is the largest single funder of debt advice services. MaPS grant funding for debt advice has reduced.

In March the Centre for Responsible Credit reported that 'despite the cost-of-living crisis having led to rising demand and increasingly complex casework, MaPS funding for local services has been cut by 9% for the next financial year. In real terms, with the costs of service delivery rising significantly, it is closer to 20%.'

[Citizens Advice reveals debt adviser redundancies are now 'increasingly likely' \(responsible-credit.org.uk\)](https://responsible-credit.org.uk)