Report exposes impact of tax hikes on London poor

James Hatton and Paul Bond
8 September 2014

The abolition of the council tax benefit last year, together with an accompanying 10 percent reduction in funding, has led to tax increases for hundreds of thousands of London's poorest residents.

The cuts to council tax benefit mean that many of the poorest households in London are now paying council tax for the first time, with an average loss of between £50 and £150 to an annual family budget for low-income earners. This is only an average: the London Borough of Harrow takes almost £400 annually.

Last month, the Child Poverty Action Group (CPAG), published a report titled "A New Poll Tax? The Impact of the Abolition of Council Tax Benefit in London" that examines the impact of cuts to housing benefits in the capital, which has some of the highest housing costs in the country.

The national system of council tax benefit was abolished in April 2013 and replaced by locally determined council tax support schemes. This move was accompanied by a 10 percent cut in funding, with the intention of saving the government £480 million each year.

Nearly three-quarters (71 percent) of the 326 English local authorities chose to make up the funding shortfall in 2013-14 by "minimum payment" schemes, under which all working-age claimants were required to pay some council tax. Only 18 percent of authorities maintained the same level of support as before.

Funding from a transition fund was made available to authorities that kept such minimum payments to 8.5 percent of a full council tax bill or less. The majority of authorities did not.

The cuts to council tax benefit come during a generalised assault on local authority finances. The report notes the local authority concern that as funding for council tax support has now been merged into the revenue support grant it could now face the same additional cuts as general funding. The Local Government Association has warned that this could reach 28 percent (£1 billion) by 2016.

Funding is based on estimated rather than actual numbers of claimants. Any rise in the number of claimants will further increase the authority's shortfall.

Of the 33 London boroughs, 23 set up minimum payment schemes for those least able to pay. For 2014-15 these range from 5 percent in Redbridge (£69.93 annually for a Band D council tax property) to 30 percent in Harrow (£454). CPAG note that the impact of the change in Harrow amounts to losing six weeks' income each year. While 10 of the minimum payment councils have included exemptions for some groups, these vary widely. Councils use different benefits to qualify for exemptions, leading, as CPAG note, to "vulnerable claimants missing out on exemptions to which they should be entitled."

While most boroughs have made no change to their council tax support scheme from 2013-14 to 2014-15, conditions have worsened in some areas. Harrow stepped its minimum payment up from 22.5 percent to 30 percent. Some boroughs that had qualified for transition funding because of low minimum payment levels have increased the rate now that the government grant is no longer available. In Bexley the minimum payment doubled from 5 to 10 percent, in Waltham Forest it rose from 8.5 to 15 percent, while in Bromley it rose from 8.5 to 19 percent.

While the CPAG report is the first comprehensive study of the first year of council tax support schemes in London, it is only the latest survey to chart the impact of government austerity measures on child poverty.

The government's own child poverty indicators are estimated before housing costs. CPAG note that

© World Socialist Web Site

London's poverty rates are higher than the rest of England, and that London has the highest child poverty rates across Britain. A 2013 report by the End Child Poverty Commission revealed that 40 percent of council wards across London had a child poverty rate of 25 percent or higher. Tower Hamlets had a child poverty rate of 42 percent across the borough, the highest at a local authority level in the country, while 18 individual wards had rates higher than this.

The CPAG report notes that there are more poor children in London than in Scotland and Wales combined, while the city's high cost of living increases the hardships of poverty. The poorest are hardest hit by the cuts to council tax benefits.

The report outlines the consequences of the government's austerity policies:

* The poorest Londoners are facing higher council tax bills. More than 313,000 low-income Londoners paid more council tax under their local council tax support scheme in 2013-14 than they would have done under the old benefit. This has meant an average increase of £151 per annum. This is equivalent to two weeks' Job Seekers Allowance, a benefit paid to the unemployed looking for work.

* Nearly 40 percent of those affected have received a court summons for non-payment or late payment. Court summonses have been issued to 118,027 people for falling behind on payments. In May this year Citizens Advice reported a 17 percent increase in the number of clients with council tax arrears since the localisation of council tax benefits.

* Nearly 93,000 council tax support claimants who could not pay were charged a further £10 million in 2013-14 in court costs.

* Nearly 16,000 cases were referred to bailiffs in 2013-14.

* As a result the collection rate for council tax owed by council tax support claimants confronting this increase has fallen sharply. The collection rate for 2013-14 was, on average, 81 percent. Average collection rates for the previous year were 97.4 percent.

Many simply cannot afford to make any additional payments from benefits that do not cover even "the minimum necessary to live on." The report states that "Many of those now being asked to pay more council tax have also been affected by other aspects of welfare reform, particularly changes to housing benefit, such as the local housing allowance reforms, the 'bedroom tax' and the benefit cap."

The vast majority will have seen the real value of their incomes fall as a result of benefits and tax credits being uprated below inflation." The Oxfam charity reported in April this year that one-third of households who had seen their income cut by the move to council tax support had also suffered from cuts to their housing benefit entitlement.

As the End Child Poverty Campaign report last year highlighted, levels of child poverty across the capital are horrific. The Save the Children charity, which had previously only worked in non-G7 countries, started working in Britain in 2012 because of the dire child poverty levels.

The highest level of child poverty in London—50 percent—was recorded in the Church Street ward of the borough of Westminster. The richest ward in the same borough, Knightsbridge and Belgravia, had a child poverty rate of less than 5 percent.

The inequality gulf is widening ever further in the most expensive city in the country. According to a recent list compiled by the Johannesburg-based "wealth consultancy" New World Wealth, almost 3 percent of London's population are dollar millionaires. Conservative Party Mayor Boris Johnson has made no secret of his encouragement of this parasitic layer, to whom he insists Londoners should offer their "hearty thanks."

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site