Gingerbread
Single parents, equal families

Why child maintenance should not count for Council Tax Support

Introduction

In Scotland, Wales and across 93% of English councils, maintenance paid for children living in single parent households does not affect council tax.

But in a small minority of councils – 22 out of 326 across England – single parents face higher council tax payments if their ex-partner makes child maintenance payments. The 22 councils in question are listed at the end of this briefing.

Against a background where - in the face of cuts in funding from central government - all councils have had to review the support given with council tax bills for low income groups, Gingerbread says that the large majority of councils got it right, in deciding not to target money meant for children in single parent households.

As all councils consider their Council Tax Support schemes for 2014/15, Gingerbread outlines the reasons why child maintenance should not count for Council Tax Support.

Facts and figures about council tax and child maintenance among low-income single parent families

- **Nearly half of single parents rely on help with their council tax bills.** In 2011/12, 47% of single parents across the UK were getting help with council tax bills through council tax benefit.[1]

- **The amounts of child maintenance they receive are modest.** For those receiving council tax support in 2011/12, the average (mean) amount of child maintenance received was £19 per week. The median amount was £12 per week.[2]

- **Those with lower incomes are already less likely to get child maintenance.** Among the poorest fifth of single parents divided by income (before housing costs) 32% are receiving child maintenance compared to 44% among the richest fifth.[3]

[1] Family Resource Survey 2011/12, DWP (2013)
[2] Ibid
[3] Skinner C. and Main G., 'The contribution of child maintenance payments to the income packages of lone mothers' in *Journal of Poverty and Social Justice*, Vol 21, No 1, Feb 2013. Analysis based on the UK Families and Children Study (2008-09)

Why child maintenance matters to low income families

- **It helps reduce child poverty.** Poverty scars children's futures. Children living in single parent households are almost twice as likely to be at risk of poverty compared to children in couple families. Child maintenance lowers that risk. Among single parents on benefit, a fifth of families receiving child maintenance would be living below the poverty line without it.[4]

- **It improves children's lives.** All the evidence shows that children living in separated families are more likely to thrive if they continue to have the support of both parents, emotionally, practically - and financially.[5] Maintenance is part of a non-resident parent's engagement with a child. Even modest amounts can give a child a better quality of life, for example by allowing new shoes for growing feet or ensuring a child is well-fed. This is a contribution which can mean a lot to children beyond the actual financial value.[6]

- **Single parents' incomes are already being hard hit.** Child maintenance is an important protective element for children at a time when single parent families are among the groups hardest hit by a stream of government changes to welfare benefits and tax credits. These include cuts to help with childcare costs within tax credit; reduced help with housing costs due to the benefit cap, reforms to local housing allowance and new under-occupancy rules; a lowering in the real value of benefits and tax credits compared to inflation; and forthcoming universal credit reform where – unless there are changes – two-fifths of low income single parents will be worse off than they are under the current welfare system.

Why the government ignores child maintenance in calculating benefits and tax credit[7]

Since 2010, central government has applied a full income disregard to child maintenance in the calculation of all benefits and tax credits, meaning that child maintenance is ignored as income when assessing financial support for single parent families. This decision was taken for the following reasons:

To ensure more low income children in separated families get parental support

- Successive governments have agreed that, when parents split up, both parents should continue to take responsibility for their children, including contributing to the costs of raising them. Yet for poorer parents, because benefits used to be reduced if maintenance was paid, there was a disincentive to actively pursue it. The decision to ignore child maintenance within benefits and tax credits was therefore taken partly to improve the numbers of low income families where maintenance was paid, thus engaging more 'non-resident' parents in meeting their responsibilities towards their children.

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[4] Bryson C., Skipp A, et al, *Kids Aren't Free*, Gingerbread (2013).
[5] Mooney A., Oliver C., and Smith M., *Impact of Family Breakdown on Children's Well-Being*, DCSF Research Report No RR113 (2009)
[6] Fortin, J., Hunt, J. and Scanlan, I. (2012) Taking a longer view of contact: The perspectives of young adults who experienced parental separation in their youth, University of Sussex Law School.
[7] Child maintenance has been ignored in tax credits since 1999, from Housing and Council Tax benefit from 2008; and from out-of-work benefits since 2010. Ministers have confirmed that child maintenance will continue to be ignored as income within Universal Credit.

To make benefits and tax credits simpler and cheaper to administer

- Child maintenance income is frequently subject to change, due to partial or non-payment by some non-resident parents and alterations due to changes in the paying parent's income, work or family situation. Given the modest amounts of maintenance received on average by low income single parents, the revenue saved by taking maintenance into account was being substantially off-set by the administrative costs of having to make repeated adjustments and recalculations, and to pursue debts.

Why counting child maintenance is a retrograde step

Gingerbread believes that the decision taken by a minority of councils to count child maintenance as income in calculating council tax support is the wrong one, for the following reasons:

- **It risks fewer single parents seeking maintenance** because, if they do, their council tax bills will go up. Where council tax support is calculated on the assumption that child maintenance is being paid, it means families can be plunged into instant financial hardship and debt if maintenance does not arrive. The fear of this can lead to single parents to decide to forgo child maintenance altogether and settle for a lower, but stable, income. Children then lose out and parental responsibilities are not met.

- **It will increase the risk of child poverty among single parents.** Including child maintenance as income in assessments of council tax support is of particular concern in the light of councils' obligations under the Child Poverty Act 2010 to have a strategy in place aimed at reducing and mitigating the effects of child poverty in their area. Counting child maintenance for CTS directly targets single parent families who already face a higher risk of poverty compared to couple families.

- **The potential revenue savings may be eroded by increased administrative costs**, due to repeated adjustments of CTS to deal with fluctuations in maintenance or periods of non/partial payment – when the sums involved are likely to be modest in any case.

- **It will mean a double 'tax' on child maintenance for single parents.** In 2014, central government plans to start charging single parents 4% of any child maintenance collected via the new Child Maintenance Service. This means that in the local authorities concerned, single parents using the collection service will, in effect, face two deductions from the maintenance for their child: one 'take' by central government and another from the council.

- **It is a penalty on relationship breakdown**, where the same income risks being counted twice by a local authority for council tax support purposes: once as the income of the paying parent and then again as the income of the receiving parent. This is unfair to both separated parents and their children.

For all these reasons, Gingerbread urges councils to reconsider the inclusion of child maintenance within their council tax support schemes.

Councils counting child maintenance for Council Tax Support[8]

Council	Full CM counted or partial
Bath and North East Somerset	Full
Bolton Metropolitan Borough	Full - with transitional protection for those who would have received full amount of CTB
Brentwood Borough	£15 disregard
Cannock Chase	Full
Chelmsford City	£10 disregard
Colchester Borough	Full
Crawley Borough	Full – with transitional protection for those who would have received full amount of CTB
Doncaster Metropolitan	Full – with transitional protection for those who would have received full amount of CTB
Epping Forest District	£15 disregard
Huntingdonshire District	£10 disregard
Maldon District	Full
Mendip District	Full
Rochford District	Full
Rushmoor Borough	Full
Slough Borough	Full
South Somerset District	Full
Stafford Borough	Full
Tamworth Borough	Full
Taunton Deane Borough	Full
Tendring District	Full
Waverley Borough	Full
West Somerset	Full

About Gingerbread

Gingerbread is the national charity working for and with single parent families. We provide expert information and advice, along with membership and training opportunities. We campaign against poverty, disadvantage and stigma to promote fair and equal treatment and opportunity for single parents and their families. We support the development of a child maintenance system where children living in separated families receive the support of both parents throughout their childhood.

For further information please contact Janet Allbeson, Senior Policy Adviser at Gingerbread janet.allbeson@gingebread.org.uk

[8] One more council, Sedgemoor, allows a disregard of £65.62 per child. In practice, no low-income families are affected as this disregard is set at a much higher level than average child maintenance amounts.