

Report to: Cabinet

Date of Meeting 3 January 2024

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Exemption applied: None

Review date for release N/A



## Council Tax Reduction Scheme 2024/25

### Report summary:

To consider and approve the Council Tax Reduction (CTR) scheme for 2024/25 which we are recommending remains unchanged from our current scheme due to the number of changes that were introduced from 2023/24. These were:

- Increased Band 1 support from 85% to 100%
- Introduced a 16 hour a week minimum income floor for the self-employed.
- Introduced a maximum of 12 months backdating for new claims.
- Increased the income band widths to allow for couples as well as allowing for increases due to inflation.
- Ability to disregard any income received via government initiatives such as local welfare provision following a national crisis.

### Is the proposed decision in accordance with:

Budget Yes  No

Policy Framework Yes  No

### Recommendation:

1. To recommend to Council that the Council Tax Reduction Scheme for working age residents is approved for 2024/25.

### Reason for recommendation:

The Council is required by law to decide whether to revise or replace its CTR scheme each year. As we made a significant number of changes to our scheme for 2023/24 we are not making any changes to our scheme for 24/25. It is still not possible to be able to fully assess the outcomes of the changes made to the scheme in 23/24 until we have a complete year. There were also emergency measures that were put in place to help householders due to the cost-of-living crisis, such as the Council Tax Support Fund and the Energy Relief scheme. This resulted in householders receiving extra financial support to help pay their Council Tax and as such this will mask any householder who would normally still have to pay a contribution, as due to the support received directly onto Council Tax accounts the amount of remaining charge was either reduced or removed. Our maximum support was raised from 85% to 100% meaning that a significant amount of householders were taken out of paying council tax altogether. The scheme will therefore continue to support those households on the lowest incomes who would otherwise likely still struggle to pay due to the current costs of living as extra government support comes to an end.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information** [East Devon S13A 202324 Scheme FINAL](#)

**Link to [Council Plan](#)**

Priorities (check which apply)

- Better homes and communities for all
  - A greener East Devon
  - A resilient economy
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## Report in full

### 1. Background

- 1.1 Council Tax Reduction (CTR) was introduced from 1 April 2013. It is a means tested reduction/discount for council tax payers who are on a low income. It replaced the previous national Council Tax Benefit scheme.
- 1.2 For working age applicants the scheme is determined by local policy and for pension age applicants it is a national scheme subject to prescribed legislation.
- 1.3 Each year the Council is required to review and agree the working age scheme by 11 March of the preceding financial year. Any changes to our scheme are subject to public consultation.
- 1.4 We are not proposing any changes to be made to our scheme for 2024/25 as it is still too early to determine what impact these changes are having due to the limited period these changes have been in place for. Also, with the current cost of living crisis it would be difficult to determine what further changes may be needed as these are not usual economic times.
- 1.5 Our current CTR caseload is still higher than pre Covid-19 pandemic levels however we are starting to see a slight fall in the amount of households receiving CTR.

## 2. Current Scheme (including caseload)

2.1 Our current scheme is based on four income bands – 100%, 80%, 55% and 25%. When modelling this scheme in 2022 it was estimated that 65% of our previous caseload would either benefit or be unaffected by the changes that were introduced from 01 April 2023 provided the circumstances of claimants would remain the same.

2.2 The following table provides a breakdown of the number of claimants split between working and pensionable age and how the caseload has changed since April 2022:

Caseload	As at April 2022	As at October 2022	As at April 2023	As at October 2023	Difference between Apr 22 & Oct 23 (% rise)
Working age	4,613	4,592	4,561	4,516	-97 (-2.10%)
Pension age	3,658	3611	3,546	3,513	-145 (-3.96%)
<b>Total</b>	<b>8,271</b>	<b>8,203</b>	<b>8,107</b>	<b>8,029</b>	<b>-242 (-2.93%)</b>

- Our working age caseload has only seen a decrease of 2.10% since April 2022. This confirms that although households are starting to return to work and/or receiving higher earnings, it is likely to take a significant time before East Devon residents are receiving earnings that lifts them out of CTR. In July 2019 our working age caseload was 3,263 and so although there has been a recent drop in the levels of working age households receiving support it does suggest that the cost of living is still having an impact on household incomes as caseload is still much higher than at pre pandemic levels.
- There has been a higher reduction in the amounts of pension age households receiving CTR between April 2022 and October 2023. This may be a combination of changes in state retirement age which means people are now remaining in the working age category for longer and lack of awareness of welfare support available to those of pensionable age. Low take-up of welfare benefits across pensionable age households has been highlighted as a national issue. A take up campaign to ensure pension age households are aware of the support available from Housing Benefit and Council Tax Reduction is currently being worked on in the Benefits team, which may see an increase in these households receiving CTR.

2.3 The following table provides the caseload broken down by the four discount bands:

Band	October 2021	October 2022	October 2023	2021 to 2022	% Change	2022 to 2023	% Change
<b>Previously 85%, now 100%</b>	2,032	2423	2004	+391	+19.24%	-419	-17.3%
<b>80%</b>	1,327	1264	916	-63	-4.75%	-348	-27.5%
<b>55%</b>	993	623	1194	-370	-37.2%	+571	+91.7%
<b>25%</b>	381	256	402	+125	+32.8%	+146	+57.0%
<b>Total</b>	<b>4,733</b>	<b>4,566</b>	<b>4,516</b>	<b>-167</b>	<b>-3.5%</b>	<b>-50</b>	<b>-1.1%</b>

- Since October 2022 to October 2023 it was estimated that 2,423 households (53%) of our caseload would be lifted out of paying Council Tax when modelling for the scheme changes in 2022. The actual number of households in the 100% income band was lower at 2,004 households and is due to changes in claimant's circumstances as highlighted below.
- There had been a marked reduction in households receiving CTR in the income bands for 100% and 80% between October 2022 to October 2023. These bands reduced by 17.3% and 27.5% respectively. The biggest movement of 91.7% was households moving into the 55% income band.

The types of changes in claimant's circumstances are as follows:

- A sample of 55 cases of those that moved to the 55% income band were manually checked to see the reason for the change in income bands. This showed that 28 (51%) of these households received reduced support due to increases in earnings.
- There were 21 (38%) households who moved to a lower income band due to receiving limited capability to work or limited capability to work related activity component within their Universal Credit. This income is not disregarded from the means test for CTR, however we do offer extra support by means of Exceptional Hardship for Council Tax for those households who are unable to afford the remaining charge.
- The remaining changes between bands was due to residents moving from Employment and Support Allowance to Universal Credit, or the minimum income floor for self employed earners taking effect.

2.4 The following table shows how the caseload has changed across three different characteristics:

Band	Households with Children			Disability Benefit			Employed		
	Oct-22	Oct-23	% Diff	Oct-22	Oct-23	% Diff	Oct-22	Oct-23	% Diff
<b>Band 1 was 85%, now 100%</b>	816	809	-0.86%	1252	989	-21.01%	77	141	83.12%
<b>Band 2 80%</b>	623	607	-2.57%	272	402	47.79%	559	486	-13.06%
<b>Band 3 55%</b>	611	521	-14.73%	271	531	96%	638	600	-5.96%
<b>Band 4 25%</b>	253	244	-3.56%	73	101	38.36%	343	381	11%
<b>Total</b>	<b>2303</b>	<b>2181</b>	<b>-5.30%</b>	<b>1868</b>	<b>2023</b>	<b>8.30%</b>	<b>1617</b>	<b>1608</b>	<b>-0.56%</b>

Note: households can fall into more than one of the above categories

- There has been an overall reduction of 122 households receiving CTR who have children resident in the home. This is likely to be due to residents returning to work and therefore their overall household income increasing.
- As noted in 2.3 CTR cases where a member of the household is receiving a disability benefit in income band 1 have reduced by 21.01%, with Income band 3 seeing the biggest rise of 96%. However, the total number of households receiving CTR for this group has increased by 8.30% and this is likely due to the increased changes in the income band widths from April 2023, thereby allowing more residents to become entitled

to CTR. We are exploring how we can closely monitor this group to identify if we need to make further changes to our scheme to provide greater protection to this cohort.

- Households where there is a member in work have seen an increase in entitlement to CTR of 0.56%. The biggest rise is in income band 1 and predominately is due to the changes in the income band widths to allow for couple rates.

2.5 Our working age scheme includes an exceptional hardship fund (EHF) for help with Council Tax that allows us to provide additional support of up to 100% on a case-by-case basis. This provides a safety net for those that need additional financial help or where we need to provide transitional support following adverse changes to a resident's circumstances. To date, we have awarded £19,494 under this fund which is included in the costs under table 3.1.

### 3.0 Current scheme costs

3.1 The expenditure split as at October 2023 is as follows:

Claim type	Expenditure costs
Working age	£5,080,966
Pension age	£4,770,924
<b>Total</b>	<b>£9,851,890</b>

3.2 The cost of CTR for 2022/23 was £9,272,467. The difference of £579,423 cost is linked to the changes made to our scheme as well as the annual rises in Council Tax. As we are now starting to see a downward trajectory then this in turn could see scheme costs reduce further.

3.3 Costs for 2024/25 will largely depend on the local economic recovery (increase in earnings, moving into work, etc), changes to pensioner caseload and of course the annual rise in council tax.

3.4 As the cost of CTR is funded through the Council Tax base, the costs are shared in proportion with the amount preceptors receive. For East Devon the cost of CTR expenditure equates to 7% of the total.

### 4.0 Arrears

4.1 Cases in arrears as at 1 April 2023 split between working age and pension age:

Outstanding Balance on CTax Account	Overall		Working Age		Pension Age	
	Cases	%	Cases	%	Cases	%
£0.00-£1,000	654	8.07%	606	13.29%	48	1.35%
£1,000-£2,000	92	1.13%	84	1.84%	8	0.23%
£2,000-£3,000	33	0.41%	31	0.68%	2	0.06%
£3,000-£4,000	10	0.12%	7	0.15%	3	0.08%
£4,000 +	13	0.16%	13	0.29%	0	0.0%
<b>Total</b>	<b>802</b>	<b>9.89%</b>	<b>741</b>	<b>16.25%</b>	<b>61</b>	<b>1.72%</b>

- The vast majority of CTR claimants who are in arrears are working age households.
- It should be noted that the above arrears figures are up to the financial year ending 2023.

4.2 There were 802 households receiving CTR that were in arrears with their Council Tax at the end of the financial year 2022/23, which equates to 9.9% of our total working age CTR caseload. This is a slight increase on figures for financial year ending 2021/22 where the level

of arrears was 782 (9.8%). It should be noted that during 2022/23 CTR for income band 1 was restricted to 85% and residents were feeling the effects of the cost-of-living crisis. Whilst some government support was being received, there were still several low-income households who struggled to afford the remaining charge on their Council Tax accounts across the income bands.

4.3 We will not be able to fully assess how the impact of the changes made to our scheme for 2023/24 will affect council tax arrears until after the end of the financial year. We recognise that with the ongoing cost of living crisis (which disproportionately impacts lower income households) this may mean that it takes much longer before it starts to have a positive impact on CTR arrears levels. As our working age scheme now offers up to 100% support (same as pensionable age) we anticipate that over time the percentage of working age CTR households will reduce to a similar level as those of pension age (see table 4.1). We will be monitoring the trajectory of this moving forward.

### 5.0 Summary

5.1 The cost-of-living crisis has continued to have an impact on households being affected by income losses that would not normally be felt by working age households. Data strongly suggests that those in employment have been significantly impacted by the crisis and although some improvements are being seen residents are still negatively financially affected.

5.2 Although the number of households in receipt of CTR who have arrears has not significantly reduced from previous years, new debt for those on the lowest incomes should reduce as there is no charge left to pay for those in income band 1 for 2023/24.

5.3 Further monitoring of our arrears cases will be carried out to see whether this position will improve but is very dependent on national economic factors. Alongside this we will continue to do more in-depth work to look at what proportion of these cases are in arrangement or can be supported (if not already) by the work of our Financial Resilience officers which will also consider any appropriate use of our discretionary funds. We are also in the process of introducing the vulnerable debt tool kit to Council Tax. This will ensure that residents will be provided with the support they need to help pay any outstanding charge on their council tax accounts, along with addressing any arrears balances still due, whilst continuing to protect the overall collection of council tax.

5.4 As we have not seen a full return to business as normal following the Covid-19 pandemic and the subsequent cost of living crisis we are unable to fully assess the changes made to the CTR scheme in 2023/24. Further monitoring of the impacts will therefore continue throughout 2024/25 and any future changes to the scheme will be considered in 2025/26 if required.

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### Financial implications:

The finance details are included in the report and there are no proposed changes to the current scheme.

### Legal implications:

The Scheme details the relevant legislation.