

Report to: Cabinet



Date of Meeting 8 January 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

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## Council Tax Reduction Scheme 2025/26

### Report summary:

To consider and approve the Council Tax Reduction (CTR) scheme for 2025/26 which we are recommending is not changed from the 2024/25 scheme. This is because our current scheme continues to support low-income households in the most effective way in the current economic climate.

### Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

### Recommendation:

To recommend to Council that the Council Tax Reduction Scheme for working age residents is approved for 2025/26.

### Reason for recommendation:

The council is required by law to decide whether to revise or replace its CTR scheme each year. The proposal is that the scheme remains unchanged from 2024/25 as the current economic climate remains difficult for those on low incomes. Leaving the scheme as it is, will ensure that those households on the lowest income and therefore falling into income band 1 would continue to receive 100% support towards their Council Tax charge.

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### Portfolio(s) (check which apply):

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

**Equalities impact** High Impact

An [Equalities Impact Assessment](#) has been undertaken but as we are not making any changes to our scheme the impact is neutral.

## **Climate change** Low Impact

**Risk:** Low Risk;

### **Links to background information**

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ A supported and engaged community
- ☐ Carbon neutrality and ecological recovery
- ☒ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

## **1. Background**

- 1.1 Council Tax Reduction (CTR) was introduced from 1 April 2013 when it replaced the national Council Tax Benefit scheme. It is a means tested reduction/discount for council taxpayers who are on a low income.
- 1.2 Working Age applicants for CTR have a scheme that is determined by local policy whilst pension age applicants are determined by national scheme subject to prescribed legislation.
- 1.3 Every year the Council is required to review and agree the working age scheme by 11 March of the preceding financial year. Any changes made to a working age CTR scheme are subject to public consultation.
- 1.4 We have not made any changes to our CTR scheme since 1 April 2023. Out of the beneficial changes made to the scheme from April 2023 the biggest was to increase support for those in income band 1 (households on lowest income) from 85 to 100%.
- 1.5 Although we made the beneficial changes from April 2023, due to external factors such as the continued cost-of-living crisis we are aware that there are households still struggling to afford essentials and pay their Council Tax. Overall the Council Tax collection rates are showing a slight reduction compared to this time last year.

## **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 2023:

Caseload	As at April 2023	As at October 2023	As at April 2024	As at October 2024	Difference between Apr 23 & Oct 24 (% rise)
Working age	4,561	4,516	4,528	4,539	-22 (-0.48%)
Pension age	3,546	3,513	3,455	3,465	-81 (-2.28%)
<b>Total</b>	<b>8,107</b>	<b>8,029</b>	<b>7,983</b>	<b>8,004</b>	<b>-103 (-1.27%)</b>

- Our working age caseload continues to reduce albeit slower than for the financial year 2022/23. The reduction for working age households claiming CTR for 2023/24 is at 0.48% compared to a reduction of 2.10% on year ending 2023. This would continue to suggest that many low-income households are still struggling to make ends meet.
- For those households of pensionable age, the reduction in caseload had a higher percentage decrease in the periods April to October 2023 (0.93%) and October 2023 to April 2024 (1.65%) than for the period April 2024 to October 2024 where an increase in the numbers receiving CTR have started to rise. This would suggest that work on the Benefit Take up campaign encouraging pensionable age residents to apply for support is starting to have an effect.

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

Band	October 2022	October 2023	October 2024	2022 to 2023	% Change	2023 to 2024	% Change
<b>100%</b>	2,423	2004	1844	-419	-17.29%	-579	-23.9%
<b>80%</b>	1,264	916	869	-348	-27.53%	-395	-31.3%
<b>55%</b>	623	1194	1321	+571	+91.65%	+698	+112%
<b>25%</b>	256	402	505	+146	+57.03%	+249	+97.27%
<b>Total</b>	<b>4,566</b>	<b>4,516</b>	<b>4,539</b>	<b>-50</b>	<b>-1.09%</b>	<b>-27</b>	<b>-0.59%</b>

- The majority of our caseload is within Income Band 1, however this has seen a reduction of 23.9% since October 2023.
- Income Band 2 (80%) has also seen a reduction of 31.3% compared to October 2023.
- Income Bands 3 (55%) and 4 (25%) have seen increases in the numbers of households receiving CTR with 112% rise for Band 3 and 97.27% rise for band 4. These rises are likely due to the 974 residents either no longer being entitled or falling out of Income Bands 1 and 2 due to increases in income following a change in circumstances such as returning to work.

2.4 The following table shows how the caseload continues to change across the characteristics of households where there are children, someone with a disability or someone who is in employment living in the household.

Band	Households with Children			Disability Benefit			Employed		
	Oct-23	Dec-24	% Diff	Oct-23	Dec-24	% Diff	Oct-23	Dec-24	% Diff
<b>Band 1</b> <b>100%</b>	809	671	-17.06%	989	906	-8.39%	141	134	-4.96%
<b>Band 2</b> <b>80%</b>	607	610	+0.5%	402	405	+0.75%	486	406	-16.46%
<b>Band 3</b> <b>55%</b>	521	601	+15.36%	531	645	+21.5%	600	646	+7.67%
<b>Band 4</b> <b>25%</b>	244	349	+43.00%	101	145	+43.6%	381	440	+15.5%
<b>Total</b>	<b>2181</b>	<b>2,231</b>	<b>+2.29%</b>	<b>2023</b>	<b>2,101</b>	<b>+3.86%</b>	<b>1608</b>	<b>1,626</b>	<b>+1.12%</b>

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

- The majority of households falling out of Income Band 1 are those where there are children resident in the household, followed by those households where there is a resident who is disabled living in the property.
- For Income Band 2 the majority of households falling into a lower band are those households where there is someone who is employed resident.

2.5 Our working age scheme continues to include an exceptional hardship fund (EHF) to help those households who still struggle to make up any shortfall in their entitlement. This allows us to provide additional support of up to 100% of the council tax charge. Cases are considered on a case-by-case basis and are dependant on the individual's needs. To date we have awarded approximately £6K under EHF which is included in the total costs of the scheme in 3.1.

### 3. Future Costs

3.1 The expenditure split of the scheme as at 7 October 2024 is shown in the table below.

Claim type	Expenditure costs
Working age	£5,165,284
Pension age	£4,930,748
<b>Total</b>	<b>£10,096,032</b>

3.2 Our working age CTR scheme allows for us to make amendments to the income band widths to take account of inflationary changes such as the annual increases in welfare benefits paid by the Department for Works and Pensions. As there will be a rise in the majority of welfare benefits of 1.7% CPI, we will be increasing our income bands to take account of this in order to minimise the number of households moving up/down a band. Where we may get instances of a small number of cases moving down a band, we can look to provide support via the Exceptional Hardship Fund which is part of the CTR scheme. They can also be supported by our Financial Resilience Team.

3.3 Costs of the 2024/25 will depend on a combination of factors that include the annual rise in Council Tax, the continued improvement in the economic recovery and the number of pensionable age residents who respond to the take up campaign.

3.4 The cost of the CTR scheme is funded through the Council Tax base, and costs are shared in proportion between the preceptors. For East Devon the CTR expenditure equates to 7% of the total cost.

## 4.0 Arrears

4.1 The following table gives details of those households who are receiving CTR as at 2 December 2024 against the numbers of households in arrears, further split into working and pensionable age.

Total			Working Age			Pension Age		
Cases	In arrears	%	Cases	In Arrears	%	Cases	In arrears	%
8030	683	8.51%	4565	625	13.69%	3465	58	1.67%

- 8.51% of all CTR claims are in arrears. When comparing this against non CTR households in arrears the percentage is only 3.28%. This highlights that households on low incomes struggle more to pay Council Tax.
- 13.69% of working age residents receiving CTR are in arrears with their Council Tax accounts. In comparison to July 2022 the percentage of working age CTR cases in arrears was 19.7%, this demonstrates that our current scheme is helping to support low-income households.

4.2 The table below shows a breakdown of those cases in arrears where CTR is being received broken down into Council Tax bands.

Band	Total CTR Cases in arrears			Working Age			Pension Age		
	Total CTR claims	CTR households	%	Total Cases	In arrears	%	Total Cases	In arrears	%
A	1877	156	8.31%	1152	141	12.24%	725	15	2.07%
B	3072	270	8.79%	1747	244	13.97%	1325	26	1.96%
C	2095	199	9.50%	1272	190	14.94%	823	9	1.09%
D	618	50	8.09%	283	43	15.19%	335	7	2.09%
E	274	5	1.82%	83	5	6.02%	191	0	0%
F	74	3	4.05%	22	2	9.09%	52	1	1.92%
G	20	0	0%	14	0	0%	6	0	0%
<b>Total</b>	<b>8030</b>	<b>683</b>	<b>8.51%</b>	<b>4565</b>	<b>625</b>	<b>13.69%</b>	<b>3457</b>	<b>58</b>	<b>1.68%</b>

- Working age residents make up the highest percentage of arrears compared to those of pensionable age.
- The property band with the highest level of arrears is band D for both working age and pensionable age residents.

4.3 The following table shows the level of arrears spread across the income bands for working age cases.

Income Band	Working age cases in arrears		
	Total cases	in arrears	%
1	1777	197	11.09%
2	917	146	15.92%
3	1373	205	14.93%
4	498	77	15.46%
<b>Total</b>	<b>4565</b>	<b>625</b>	<b>13.69%</b>

- Households receiving CTR and falling within Income Band 1 are no longer the highest group with arrears on their accounts as in previous years. This supports that raising this income band from 85% to 100% has had a positive effect on those with the lowest incomes.
- The highest levels of arrears are those in Income Bands 2 and 4.

## 5.0 Summary

- 5.1 Analysis of the data over the last 12 months suggest that households are returning to employment and no longer requiring 100% support from CTR.
- 5.2 The highest level of arrears is for those in Income Bands 2 and 4 followed by Income Band 3, suggesting that even though residents have started to return to work they are still struggling to afford to pay their Council Tax charge.
- 5.3 Since July 2022 the percentage of working age CTR cases in arrears has fallen. However, CTR working age residents are more likely to fall into arrears than those that are not receiving CTR. We will be undertaking more targeted work on these arrears' cases over the next financial year and offering those households who need help support from the Financial Resilience team.

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### Financial implications:

The implications have been factored into the taxbase for 2025/26 and therefore the draft budget.

### Legal implications:

The legal issues are covered in the body of the report and the Scheme itself.