

# Cabinet Report



Report of Head of Finance

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To: CABINET on 11 November 2022

To: SCRUTINY COMMITTEE on 14 November 2022

To: COUNCIL on 7 December 2022

## Council tax reduction scheme 2023/24

### Recommendations

Cabinet recommends to Council that for the 2023/24 financial year onwards the council continues to adopt the previous 2022/23 Council Tax Reduction (CTR) scheme but with the following amendments:

- to remove the 91.5 per cent limit (cap) when calculating the council tax bill,
- to remove the band E restriction for all residents, so that qualifying residents will have their CTR calculated at 100 per cent of their council tax bill, after any deductions and based on their property's actual council tax band, and
- to reintroduce the second adult rebate scheme to working age residents, in order to give a maximum 25 per cent reduction where they live with another adult on a low income.

### Purpose of Report

1. The purpose of this report is to enable the council to adopt and implement a modified council tax reduction scheme for the financial years 2023/24 onwards.

### Corporate Objectives

2. The council is required by statute to adopt a scheme to help those on low incomes to meet their council tax liability. In accordance with the strategic objective "running an

efficient council” by having a scheme we meet this objective whilst, at the same time, considering the views of residents, service users and other stakeholders.

## Background

3. From April 2013, the national scheme to help people on low incomes pay their Council Tax (Council Tax Benefit), was abolished and a local scheme was introduced called Council Tax Reduction (CTR) scheme. The Government continued to fund the new scheme, but with a 10 per cent reduction in funding from the previous CTB scheme. In 2013, the council decided to keep the new CTR scheme as close to the old CTB scheme as possible.
4. For the financial year 2014 onwards, the council decided several changes for working age people (the scheme for people of pension age is decided nationally by the Government) would be made to ensure everyone contributes on a fairer basis to council services and help act as an incentive to encourage people to seek work. The changes were:
  - The removal of second adult rebate – where the applicant liable for council tax lives with another adult who is not liable for council tax, so does not receive a single person discount. If that other adult’s income is below a certain amount, the applicant can receive help with their council tax based on the other adult’s income, regardless of the applicant’s income.
  - The calculation of working age CTR is based on 91.5 per cent of their council tax liability, rather than 100 per cent. There were exemptions to this. These were applicants who were considered disabled, in receipt of War Widows Pensions, War Disablement Pensions or a single parent with a child under 5 years old. To be considered disabled, the applicant had to receive one of the following in their Council Tax Reduction award:
    - Disability premium.
    - Enhanced disability premium.
    - Severe disability premium.
    - A disability premium for dependants.
    - Enhanced disability premium for dependants.
    - Disabled earnings disregard.
    - A Council Tax disability reduction.
    - In receipt of Employment Support Allowance at any rate.
  - An applicant living in a property banded F, G and H would have their CTR calculated on band E. The same exemptions to this applied as to the reduction of CTR to 91.5 per cent.
  - The period of extended payment (where an applicant receives CTR based on the income they had when unemployed when they return to employment) was extended from 4 weeks to 13 weeks.

## **Proposals for 2023/24 onwards**

5. It is proposed to reverse three of the amendments made to the scheme that were approved from April 2014. In summary, it is proposed the changes will:
  - i. provide greater support for low income working individuals and families that have previously been penalised financially and
  - ii. Provide a fairer council tax reduction scheme for all residents on a low income.

## **Why changes are being proposed**

6. Council tax collection data indicate that the current minimum charge of 8.5 per cent and Band E restriction causes hardship for working individuals and families. Considering the current cost of living crisis and the cost to collect the potential shortfall this change should help reduce potential hardship that this minimum charge could bring them and their children.

## **Proposed changes to reintroduce Second Adult rebate**

7. Second adult rebate is where the applicant liable for council tax lives with another adult who is not liable for council tax, so does not receive a single person discount. If that other adult's income is below a certain amount, the applicant can receive help with their council tax based on the other adult's income, regardless of the applicant's income.
8. The current system was designed to ensure everyone contributes to council services and to try and encourage people to return to work.

## **Proposed changes to remove the Council Tax Liability restriction**

9. Currently, except those in a protected group, there is a restriction so their CTR is a maximum of 91.5 per cent and calculated to a maximum of Band E if they live in a higher banded property.
10. It is proposed to remove those restrictions, so all applicants can have their CTR calculated on 100 per cent of their council tax bill and their actual council tax band.
11. When changes were made to the 2014 scheme, it was decided that those not in a protected group may be encouraged or incentivised to return to work by being financially penalised with the 91.5 per cent cap. However, due to the cost-of-living crisis, it is more likely that these taxpayers are simply unable to pay this shortfall and, as a result, incur further recovery costs and see their arrears increase.

## **Consultation on the proposed scheme**

12. A four-week public consultation was undertaken between Monday 10 October 2022 and Monday 7 November 2022. 12 local stakeholders were invited to comment along with 1,000 Vale residents. A total of 76 responses were received at the point of writing this report. 42 of the respondents were existing council tax reduction scheme recipients; 29 were non recipients; and 5 were stakeholder organisations, including Oxfordshire County Council and the Police and Crime Commissioner for Thames Valley.

13. The consultation highlighted that there is overall support for the three proposed changes to the scheme whilst certain scheme changes received a variety of considerations.
14. On the proposal to **remove the 91.5 per cent limit**, when calculating the council tax bill all residents not currently in a protected group, 66 per cent of respondents to this question either strongly agreed or agreed with the proposal. However, 14 per cent disagreed with this proposal and 20 per cent neither agreed nor disagreed with the proposal.
15. On the proposal to **remove the band E restriction** when calculating the council tax bill all residents not currently in a protected group, 43 per cent of respondents to this question either strongly agreed or agreed with the proposal. However, 24 per cent disagreed with this proposal and 33 per cent neither agreed nor disagreed with the proposal. The main issue of contention was regarding giving CTR to those in a large expensive house. However, the misconception here is that the properties in question are large privately owned properties rather than social housing.
16. On the proposal to **reinstate second adult rebate**, 66 per cent of respondents to this question either strongly agreed or agreed with the proposal. However, 22 per cent of respondents disagreed whilst 12 per cent neither agreed nor disagreed with the proposal. The main issue of contention was regarding giving assistance where the whole household income is not being considered.

## Options

17. Based on the current situation and the responses to the consultation received to date it is recommended that Cabinet should recommend to Council **o proceed** with the modifications listed below. Therefore, in view of the foregoing, the scheme that is recommended to Council to adopt for 2023/24 onwards is the 2022/23 scheme but with the following amendments:
  - to **remove the 91.5 per cent** limit when calculating the council tax bill, and **remove the band E restriction** for all applicants, so that their CTR is calculated at 100 per cent of their council tax bill after any deductions and based on their property's actual council tax band.
  - to **reinstate Second adult rebate**
18. The other options are to only consider some of the modifications listed above or do nothing.

## Climate and ecological impact implications

19. None

## Financial Implications

20. If all the proposals are accepted into the CTR scheme there will be an approximate overall cost of around £184,000 per annum. However, as the costs are shared by the precepting authorities, approximately 78 per cent of the cost (£144,000) falls on Oxfordshire County Council, with the Police and Crime Commissioner (Thames Valley) funding £20,000 and the Vale £13,000.

Detailed below are the total costs if the restrictions were removed for the 2023/2024 financial year.

	<b>Claims affected</b>	<b>Total additional cost</b>	<b>OCC</b>	<b>Police</b>	<b>VoWHDC</b>	<b>Parish</b>
Removal of Band E restriction	24	£11,235	£8,763	£1,236	£786	£449
Removal of 8.5% deduction	1400	£171,767	£133,978	£18,894	£12,024	£6,871
<b>Removal of both Band E restriction and 8.5% deduction</b>	<b>1400</b>	<b>£184,046</b>	<b>£143,556</b>	<b>£20,245</b>	<b>£12,883</b>	<b>£7,362</b>
(*) Second adult rebate	28	£6,537	£5,099	£719	£458	£261

- The 24 claimants who are affected by the band E restriction are also affected by the 8.5 per cent deduction so are double hit by restriction, meaning the total claims affected are 1,400 and not 1,424.
- Please note that line 3 “removal of both Band E restriction and 8.5 per cent deduction” is the estimated maximum cost to each precepting authority as at 1 April 2023 if both changes are approved. Note, the combined impact total is not the same as simply adding lines 1 and 2 together.
- Second adult rebate claims (\*) are a guide only. There will be no immediate cost to the precepting authorities as at 1 April 2023, as taxpayers will need to apply to have this reduction, therefore the above is purely an assumption over time.

21. Any council decision that has financial implications must be made with the knowledge of the council’s overarching financial position. For Vale, the position reflected in the council’s medium-term financial plan (MTFP) as reported to Full Council in February 2022 showed that the council was able to set a balanced budget for 2022/23, but that there is expected to be a budget gap in future years.

22. This future funding gap is predicted to increase to over £3.7 million by 2026/27. As there remains no certainty on future local government funding, following the announcement of a one-year spending review by government, and as the long-term financial consequences of the Coronavirus pandemic remain unknown, this gap could increase further. Every financial decision made needs to be cognisant of the need to address this funding gap in future years.

## Legal Implications

23. The current council tax reduction scheme was adopted in 2022/23. There is a statutory duty to adopt a 2023/24 scheme by 11 March 2023. If this deadline is not adhered to, the council’s 2022/23 scheme will automatically be rolled over as a consequence.

## **Risks**

24. There is a risk that the current CTRS caseload could increase, resulting in expenditure exceeding current estimates. However, over recent years we have seen only a slight increase in the caseload from 4,909 in June 2019 to 5,067 in June 2022. This trend has continued even during the pandemic when the caseload only increased slightly to 5,118 in June 2020 and 5,199 in June 2021. There is no indication that a similar trend would not be expected during the cost-of-living crisis.
25. Changing a council tax reduction scheme which levels up categories of all claimants without being supported by robust principles and consultation, could be open to legal challenge on equalities grounds. However, to mitigate this, the council has ensured that it has fully complied with the necessary consultation and equality requirements.

## **Other implications**

26. The council undertook an Equality Impact Assessment (EIA) of the proposed changes. There were no actions to take, as by their nature, the proposals address the disadvantages which currently exist for certain categories of claimant considered at risk of discrimination. Where data was available, the EIA did not find any significant variance from the general population of either the Vale or nationally.

## **Conclusion**

27. The council must adopt a local council tax reduction scheme for 2023/24 by 11 March 2023 and it is proposed that this be based on a scheme which intends to support all residents on low incomes with help towards paying their council tax. The proposals in this report as proposed by the Cabinet Member for Finance, is to enhance the current scheme to ensure it helps residents during the cost-of-living crisis; continues to be fair on all residents and protects the vulnerable.

## **Background Papers**

None