

Council tax reduction scheme 2023/24

Background

1. 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). 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.
2. 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

3. 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 working individuals and families that have previously been penalised financially.
 - ii. Provide a fairer council tax reduction scheme for all residents on a low income.

Why are changes being proposed

4. Council tax collection data reports 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. The change should **help reduce any additional potential hardship** that this minimum charge could bring them and their children.

Proposed changes to reintroduce Second Adult rebate

5. 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.
6. The current system was designed to ensure everyone contributes fairly to council services and to encourage people to return to work.

Proposed changes to remove the Council Tax Liability restriction

7. Currently, except those in a protected group there is a restriction so their CTR to a maximum of 91.5 per cent and calculated to a maximum of Band E if they live in a higher banded property.
8. It is **proposed to remove those restrictions**, so all applicants can now be exempt from paying council tax (e.g. CTR will be calculated on 100 per cent of their council tax bill and their actual council tax band).
9. When we made changes to the 2014 scheme, it was decided that those not in a protected group would be encouraged to return to work and if not financially penalised. However due to the cost of living crisis, it is more likely that tax payers will not pay this shortfall and induce further costs.

Financial Implications

10. If all the proposals are accepted into the CTRS 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 tax year.

	Claims affected	Total additional cost	OCC	Police	VoWHDC	Parish
Removal of Band E restriction	24	£11,235.07	£8,763.35	£1,235.86	£786.45	£449.40
Removal of 8.5% deduction	1400	£171,766.90	£133,978.18	£18,894.36	£12,023.68	£6,870.68
Removal of both Band E restriction and 8.5% deduction	1400	£184,045.74	£143,555.68	£20,245.03	£12,883.20	£7,361.83
(*) Second adult rebate	28	£6,536.88	£5,098.77	£719.06	£457.58	£261.48

- The 24 claimants who are affected by the band E restriction are also affected by the 8.5% deduction so are double hit by restriction, meaning the total claims affected are 1400 and not 1424.
- Please note that line 3 “removal of both Band E restriction and 8.5% deduction“ is the estimated maximum cost to each precepting authority as at 1 April 2023 if both changes are approved.
- 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.

Legal Implications

11. 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

12. 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 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.

13. 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.

Conclusion

14. 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 and protects the vulnerable.