

REVIEW OF COUNCIL TAX REDUCTION SCHEMES IN 2023/24

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May 2023

Introduction

- Ten years ago, in April 2013, help for low-income households with paying their Council Tax bills moved from a single national scheme to a devolved system. Local authorities (LAs) in England now run their own local Council Tax Reduction (CTR) schemes, paying the costs of, administering and setting the rules for help for local citizens.
- Over the past ten years a wide variety of different local rules have been adopted. This report looks at the changes English LAs have made to their CTR schemes for 2023/24. It draws comparisons with previous survey results to discover trends in the type of CTR schemes being introduced by LAs.
- In setting CTR schemes for 2023/24, LAs have had to balance the competing claims of protecting their own council budget with protecting citizens in troubled times. On the one hand, real terms reductions in government funding and increased demand for LA-funded care mean there is a tendency for other council services to be squeezed, which in the case of CTR can only come about through changing scheme rules to cut awards.
- On the other hand, the effect of the cost-of-living crisis on low-income households dominated most council's agendas this year, and one way of helping them is through making the CTR scheme more generous. Moreover, Council Tax bills rose by 5.7% on average in 2023/24, and protecting the existing CTR scheme prevents claimants facing the full effect of rising bills.

Summary

Around 13% of local authorities in England changed how they calculate Council Tax Reduction for 2023/24 (39 local authorities).

The most common change was to increase the maximum support available for the poorest households (29 local authorities). Only one local authority reduced their maximum support.

The second most common change was to introduce an income-banded scheme (12 local authorities). Around 30% of Council Tax Reduction schemes are now income-banded.

We've seen 11 other changes which make schemes more generous by way of capital rule changes, extra income disregards, removal of band caps and reduction of minimum awards.

Changes to CTR schemes in April 2023

As has been the case for the past couple of years, there have been relatively few LAs changing their CTR schemes for 2023/24. Out of 296 LAs in England (a drop from 309 in 2022/23 due to mergers), 39 made changes to the way they calculate CTR in April 2023.

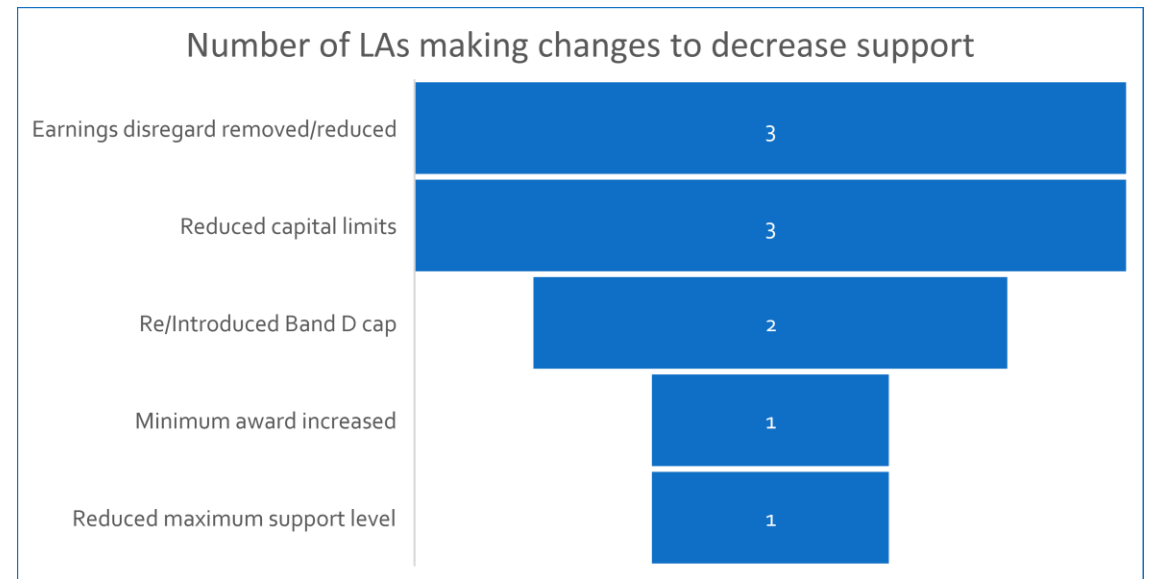
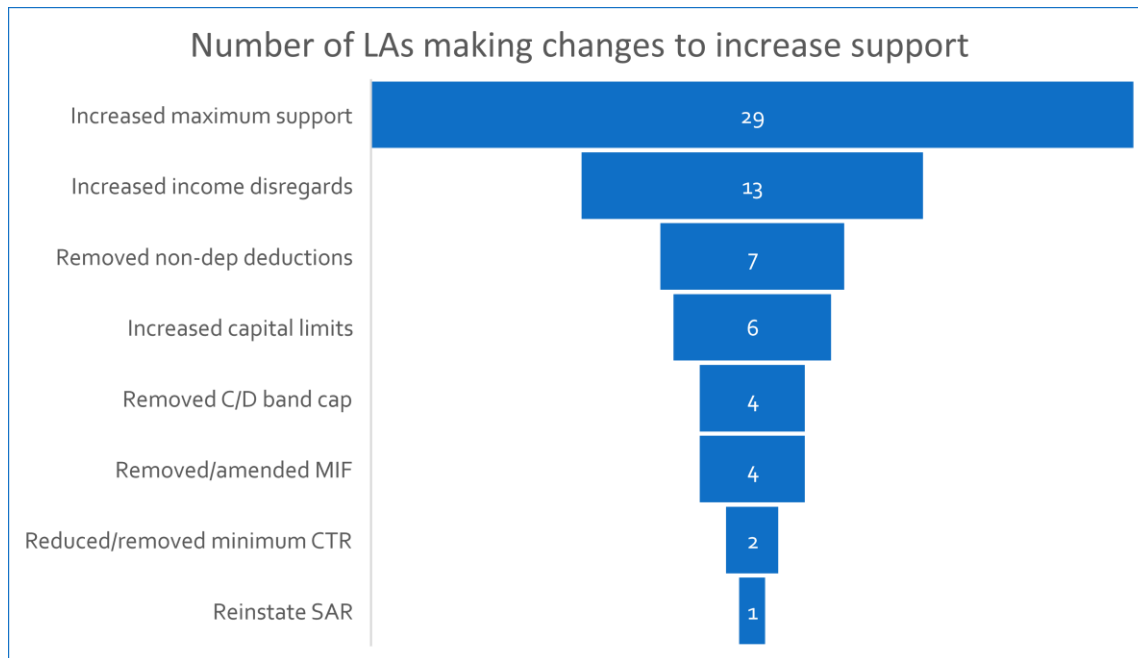
Another year of increasing support for those in need

Last year we found that most of those making changes to their schemes moved towards making them more generous and this is again the case for 2023/24. Ten LAs with non-banded schemes have increased the maximum support available, with eight of these now offering up to 100% support. In comparison, only one LA has reduced the maximum support available.

Nine of the LAs moving to income-banded schemes this year have taken the opportunity to offer 100% support in their lowest band. 11 LAs with existing income-banded schemes increased the support levels they offer in band 1, with four increasing this to 100%. Four went further, increasing the support offered in every band, not just band 1.

Changes to CTR schemes in April 2023

Other changes seen this year also predominantly make for more generous schemes, with few making changes which lead to a decrease in support. Also, with 7 LAs removing non-dependant deductions, 3 removing tariff income and at least 1 new de minimis rule, we are still seeing changes to simplify administration.

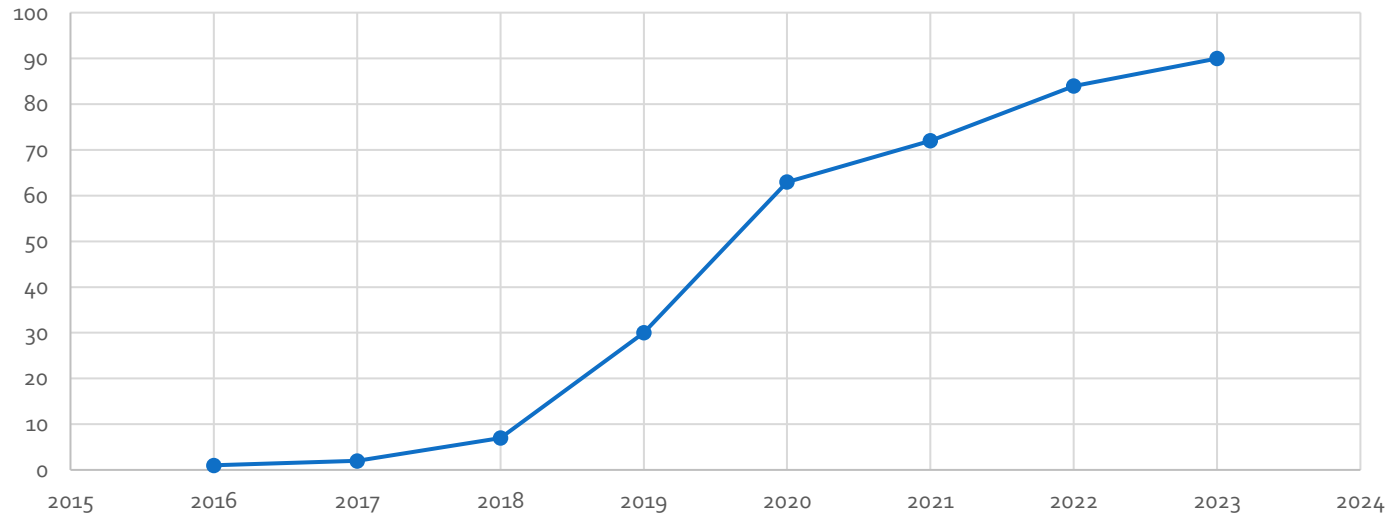


New income-banded schemes

This year has seen the introduction of 12 new income-banded schemes, taking the total to 90 (approx. 30% of all CTR schemes). Of the 90, 15 are for UC claimants only with the previous scheme being retained alongside it for non-UC claimants. Since the number of income-banded schemes doubled from 30 in 2019, to 63 in 2020, we have seen the pace of new income-banded schemes being introduced slowing.

Note: This year's total only shows an increase of 6 banded schemes because 6 schemes were also removed in 2023 due to Local Authority mergers.

Number of income banded schemes



Income-banded CTR schemes in detail

Number of household types

In 2023/24, the most common format for income-banded schemes, for the first time, is to have different income bands for single people, couples, single people with 1 child, single people with 2+ children, couples with 1 child and couples with 2+ children, reflecting the different needs of six different household types. This approach has been adopted by 25 LAs – including 5 new this year - and helps target support specifically toward lone parent households.

23 LAs – including three new this year - have different income bands for single people, couples, families with 1 child and families with 2+ children. This format allows for larger households to retain the same level of support at higher income levels than smaller households but doesn't accommodate the different support needs of lone parent and two parent families.

20 LAs – including three new this year – have one set of income bands and associated support for all claimants, meaning the scheme can be kept simple but other measures may be needed to ensure protection of vulnerable claimants. For this reason, this format best lends itself to an earnings-only scheme (of which 10 of these are) or an excess income scheme (which accounts for 3 of these).

2023/24 saw two LAs with existing banded schemes change the type they operate. One LA changed from a 4 household income-banded scheme to a 6 household income scheme, and one LA changed from a 6 household income-banded scheme to an earnings only scheme with one set of income bands for all claimants.

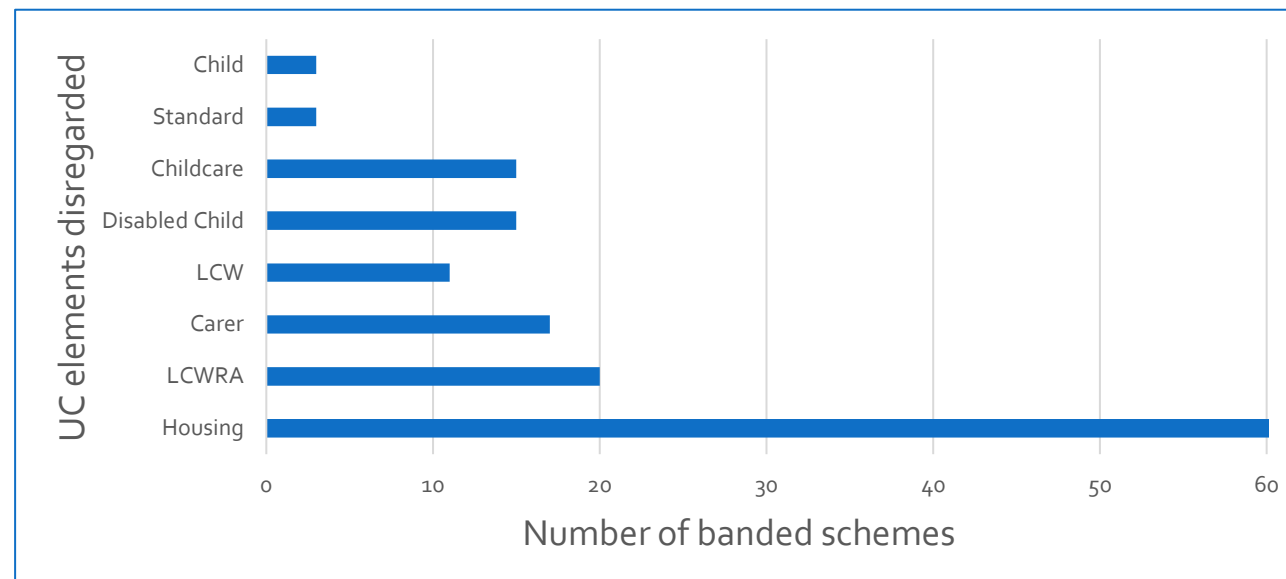
Income taken into account

Four of the new income-banded schemes only take into account earnings, this means 16 LAs in total for 2023/24 now take this approach to assessing income for their banded schemes.

There are 6 LAs calculating excess income in the traditional way using applicable amounts, before comparing the excess income to their income bands, but the vast majority (67 LAs, including 8 new ones) are still assessing income in much the same way as non-banded schemes, before comparing this income against the appropriate bands for the household to determine the level of support to be awarded. The main difference seen with LAs taking this approach is how much of the UC award they count as income and how much they disregard, as shown by the chart below.

Where some of the UC award is disregarded it is most likely to be the housing costs element, with 61 LAs aligning this with the disregard of Housing Benefit.

We have seen 4 LAs with existing banded schemes disregarding additional UC elements this year, and all of the new banded schemes (which aren't earnings only) disregard at least the housing element with over half disregarding other elements as well.



Loss of protection when migrating from legacy benefits to UC – a banded scheme problem

An issue highlighted last year - and which still persists - is that people receiving their maximum UC award with no other income are being overlooked when protection is put in place for households on legacy benefits: Income Support (IS), income-related Employment and Support Allowance (irESA) and income-based Jobseeker's Allowance (ibJSA). While on legacy benefits these claimants are often automatically put into band 1 to receive the maximum support available, but when they migrate to UC they lose this protection.

In fact, of the 64 banded schemes assessing at least some part of the UC award as income, 52 schemes protect those on IS, irESA and ibJSA by placing them in band 1, while **only 4 scheme protect those on maximum UC** with no other income, so they too can receive the maximum support available.

The problem here comes back to how much of the UC award will be taken into account as income. As we've shown, this varies greatly from scheme to scheme and with no consensus on which elements to include and which to disregard, those being migrated to UC from IS, irESA or ibJSA are likely to find themselves no longer protected in band 1 and potentially climbing the income bands to lower levels of support - even though their circumstances have otherwise not changed. As managed migration picks up pace it is important for all LAs with income-banded schemes to consider how UC award income is taken into account, compared to the legacy benefits it replaces, and the effect on claimant awards of migrating to UC.

Loss of protection when migrating from legacy benefits to UC – a banded scheme problem

Current System
Universal Credit

Total benefits entitlement
(Under the current system)

£197.75 / weekly

Our estimate is based on the information you have entered and does not guarantee entitlement. It uses 2023/24 benefit and tax rates.

If you are making a new claim for benefits you will need to claim Universal Credit instead of the benefits below. Click the Universal Credit tab above for more details.

You may also need to claim Universal Credit if you experience a change in circumstances. For more information see our guide to [what triggers a move to Universal Credit](#).

Jobseeker's Allowance

£84.80 / weekly

Your entitlement is made up of £84.80 in income-based Jobseeker's Allowance.

[More information](#) [How we worked it out](#)

[How to claim?](#)

Council Tax Support

£22.95 / weekly

Your full Council Tax bill of £28.69 per week will be reduced to £5.74 per week because of your entitlement to Council Tax Support.

[More information](#) [How we worked it out](#)

[How to claim?](#)

Housing Benefit

£90.00 / weekly

[More information](#) [How we worked it out](#)

[How to claim?](#)

This example shows a single claimant having band 1 of this income-banded CTR scheme applied, because they are claiming JSA (ib). They get the maximum support so have to pay 20% of their Council Tax liability, £5.74 per week.

Banded Scheme details

Claims IS, JSA or ESA - band 1 applied

| Single with no dependant | |
|---|--------------|
| Assessed Income Without Elements Of UC Excluding - UC Carer Element, UC LCW/LCWWRRA Element | Discount (%) |
| £0.00-£112.39 | 80.0% |
| £112.40-£171.55 | 60.0% |
| £171.56-£230.72 | 40.0% |
| £230.73-£289.90 | 20.0% |
| £289.91 and above | .0% |

Loss of protection when migrating from legacy benefits to UC – a banded scheme problem

Current System **Universal Credit**

Total benefits entitlement
(Under Universal Credit) **£186.57 / weekly**

Our estimate is based on the information you have entered and does not guarantee entitlement. It uses 2023/24 benefit and tax rates.
Find out more about Universal Credit below.

Universal Credit

£175.09 / weekly

We estimate your monthly Universal Credit award will be £758.74.

[Help to Claim service](#) [How we worked it out](#)
[More information](#)

New style Job Seeker's Allowance

£0.00 / weekly

On the basis of the data entered you are not entitled to Jobseeker's Allowance. However in some circumstances it may be worth claiming to qualify for other benefits.

[More information](#)
[How to claim?](#)

Council Tax Support

£11.48 / weekly

Your full Council Tax bill of £28.69 per week will be reduced to £17.21 per week because of your entitlement to Council Tax Support.

[More information](#) [How we worked it out](#)
[How to claim?](#)

When the same single claimant migrates to Universal Credit, they are not protected in band 1 and their full UC award is taken into account as income. They therefore fall into band 3 of this scheme and only get support with 40% of their Council Tax liability. Their situation is otherwise unchanged but they now have to pay £17.21 per week.

Banded Scheme details

| Single with no dependant. | |
|---|--------------|
| Assessed Income Without Elements Of UC Excluding - UC Carer Element, UC LCW/LCW/WRA Element | Discount (%) |
| £0.00-£112.39 | 80.0% |
| £112.40-£171.55 | 60.0% |
| £171.56-£230.72 | 40.0% |
| £230.73-£289.90 | 20.0% |
| £289.91 and above | .0% |

CTR schemes offering up to 100% support in 2023/24

This year has seen a push toward offering up to 100% support for claimants from those LAs changing their scheme. However, there remains a great deal of variation across England. In some LAs low-income households are still being required to pay up to 50% of their Council Tax bill.

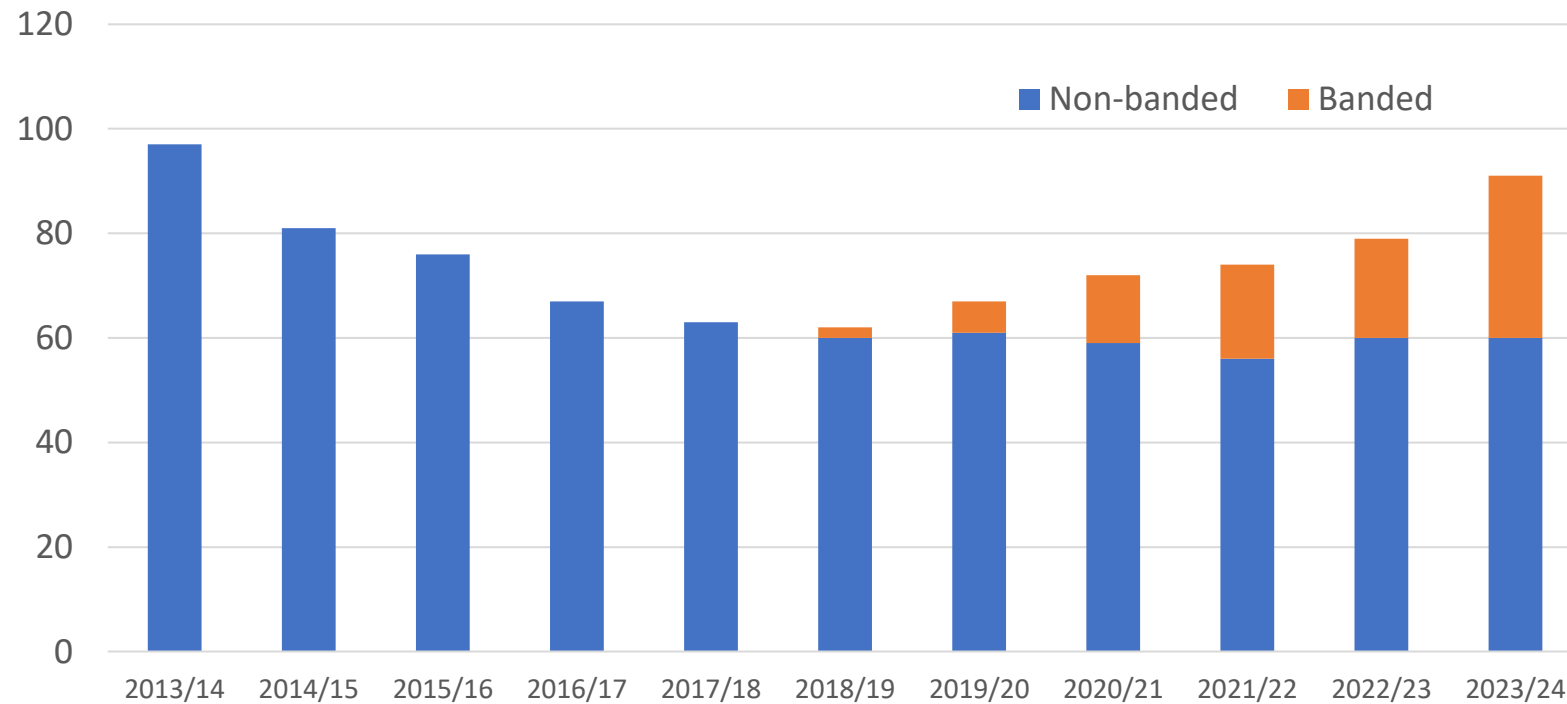
Six LAs this year removed their minimum payment, effectively reverting back to Council Tax Benefit, although two stated this is for one year only. There are now 47 of 221 non-income banded schemes (21%) who have neither a minimum payment, nor a band cap – so still offer up to 100% support. This is up from 19% last year.

24 out of 90 income-banded schemes (26%) now offer 100% support to those in the lowest income band and don't have a band cap – so still offer up to 100% support to those on the lowest incomes. This includes 9 of the 12 new schemes this year and compares to 18% of banded schemes offering up to 100% support last year.

However, the income threshold to access the maximum support in an income-banded scheme varies widely. If, for example, we look at schemes with the most popular format of 6 household types, and comparable income is taken into account, for a couple with 2+ children the maximum income to be placed into band 1 is £234.99pw at its lowest and £330pw at its highest. Looking at those schemes with one set of income bands for all claimants and comparable assessed income, the threshold to be placed in band 1 is £80 per week at its lowest and £202.99 per week at its highest.

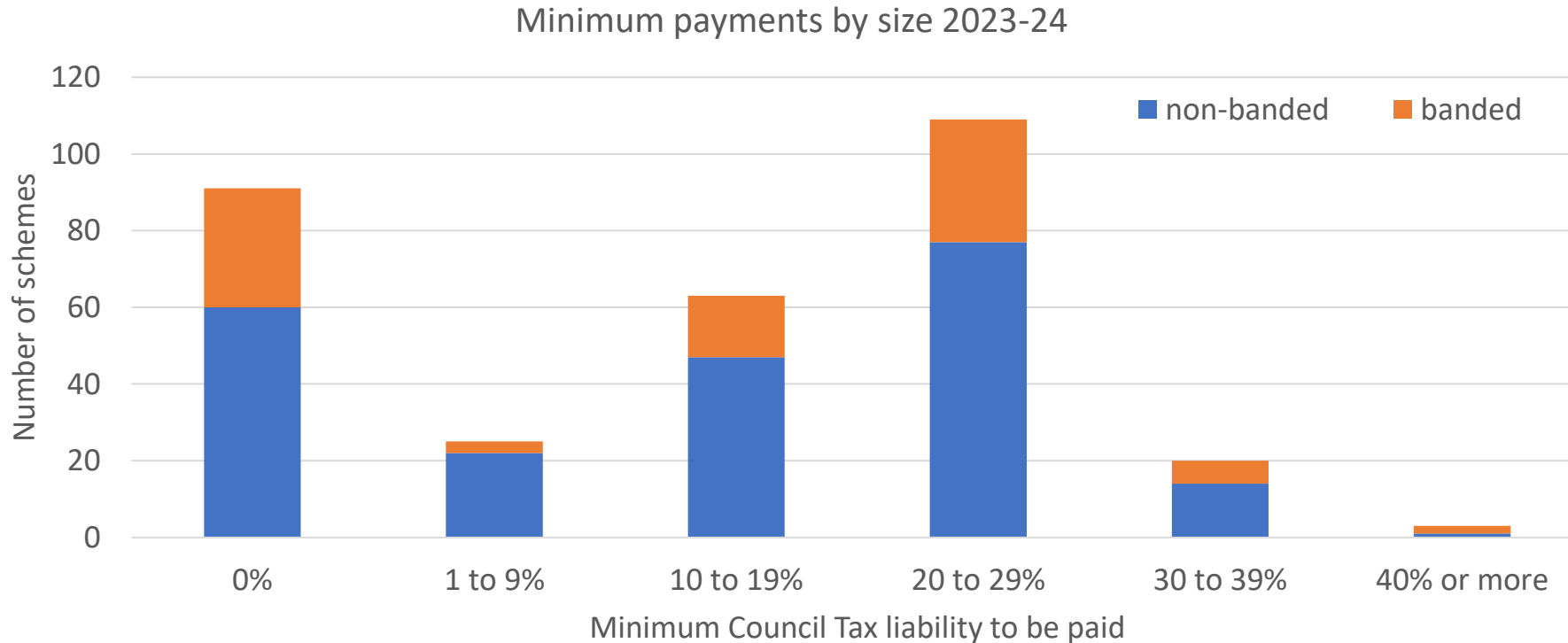
The chart below shows the change in the number of CTR schemes with no minimum payment, so offering up to 100% support, since 2013/14. This chart only includes schemes that have no minimum payment for non-protected claimants. From a low point in 2018/19 when only 62 schemes had no minimum payment, this number has increased to 91 in 2023/24 which represents about 30% of CTR schemes, almost returning to the peak of 97 schemes in 2013 when CTR was first localised.

CTR schemes without a minimum payment since localisation



Minimum payments by size in 2023/24

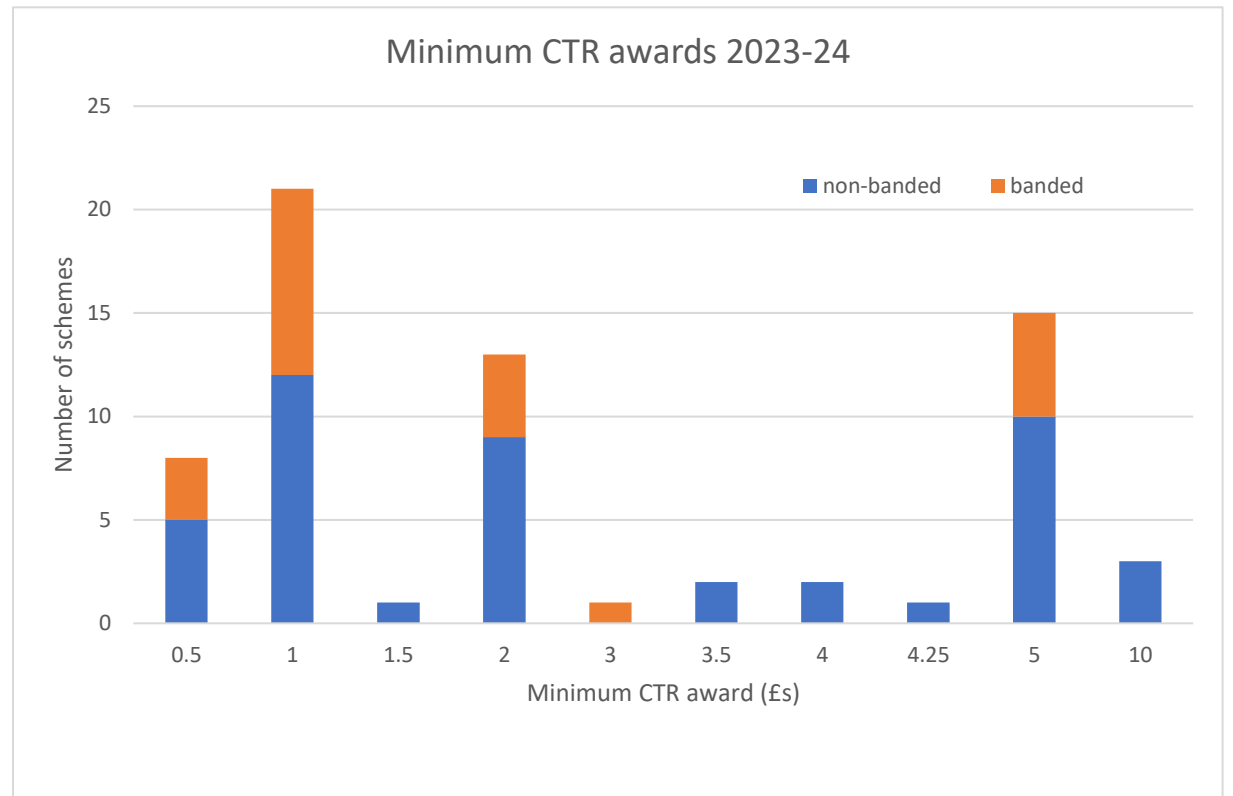
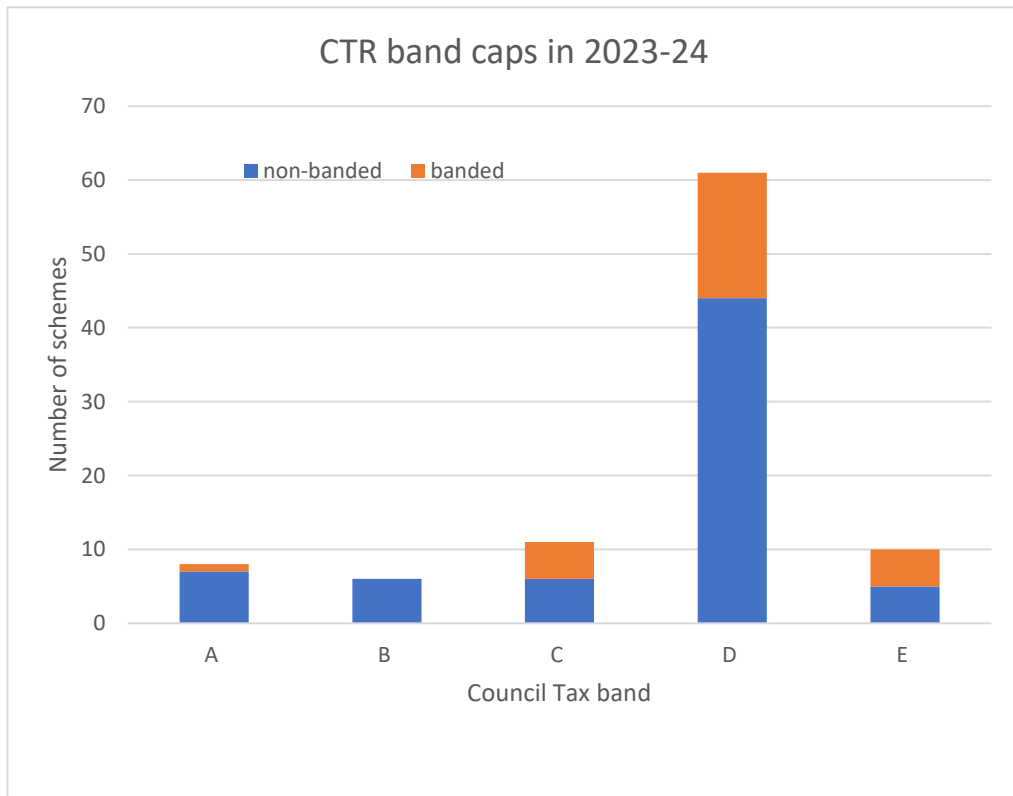
The chart below shows the prevalence of minimum payments by size. The lowest minimum payment in each scheme for non-protected claimants has been used. Although the number of schemes with no minimum payment has been increasing over the last four years, the most common minimum payment group remains 20 to 29%, with 109 schemes in that group. There are only 23 LAs with a minimum payment of 30% or more.



Other features of CTR schemes in 2023/24

There are 96 schemes (31%) with band caps in 2023/24, with the most prevalent by far being a band D cap.

There are 67 schemes (21.5%) with minimum CTR awards in 2023/24, with the most prevalent being £1.



Are you thinking of changing your CTR scheme?

Whether you are thinking of moving to an income-banded scheme or an alternative type of scheme we can help you in one of three ways:

Monitoring the market: Providing details of what other LAs are doing so you can see which policy options, if any, may be appropriate for your council.

Evaluating alternatives: Assisting you in setting up policy options for alternative schemes in our Council Tax Support calculator. You can use existing schemes from other LAs or create unique new schemes. You can then run either hypothetical or real case examples through the calculator to see entitlements under the proposed schemes.

Modelling your data: By combining our calculation engine with your LA data we can estimate the cost/distributional effect of reform options, be that adopting another LA's scheme or a new design, for both your authority and residents.

Who are entitled to?

We are one of the leading providers of online benefit calculators in the UK today. We help people determine what they can claim from national and local government via our self-serve or adviser-led calculators.

Our calculators are authoritative and accurate and we are entirely independent of government. We provide a reliable estimate of benefit entitlements based on our in-depth knowledge of the UK's social security system. By using our online benefits calculators, users can determine whether they are receiving the right amount of money in their benefit claims, whether they are eligible for other types of benefits, as well as understand what their position will be as Government welfare reforms take effect.

We believe that everyone living in the UK should be able to understand what their legitimate entitlements are and honestly claim that amount from government - social security is a key aspect of our society and a vital part of our modern communities.

We have been operating since 2000 and we provide our calculators to numerous Local Authorities, Housing Associations and charities who provide benefit support to their users.

GET IN TOUCH

We'd like to hear from you.

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Contact us today if you need help with changing your CTR scheme

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