
Meeting of the Cabinet - 30th January 2025

Report of the Interim Finance Director (Section 151 Officer)

Council Tax Reduction Scheme 2025/26

Purpose of report

1. To provide details of the proposed changes to the current Council Tax Reduction Scheme for 2025/26 following 2 public consultations.

Recommendations

2. That the Council be recommended to:
 - (a) Approve the changes to the Council Tax Reduction Scheme for 2025/26 (Annex C)

Background

3. The Council Tax Reduction Scheme was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
 - Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
 - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

4. Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding provided from Central Government sources.
5. The current Council Tax Reduction scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.
6. Pensioners, subject to their income, can receive up to 100% support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.
7. When Council Tax Reduction was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support.
8. Due to the reduction in finance, the Council reduced the maximum level of support available to working age applicants from April 2014 and currently requires all working age applicants to pay a minimum of 23%.
9. The only other changes made were in line with prescribed requirements (set by Government) and to bring the scheme into line with either Housing Benefit or Universal Credit, the latest was to introduce a minimum change rule which in effect means that any change resulting in a change of less than £3 per week would not be actioned.

Public Consultation

10. The report to the August Cabinet outlined a number of issues with the current scheme that need addressing and the need for a more simplified approach to the scheme over the next two years, in order to change the scheme, a full consultation needed to be undertaken in line with the statutory requirement with:
 - Major Preceptors (Police & Crime Commissioner and the Fire & Rescue Service); and
 - The public

An initial consultation was undertaken which ended on the 6 November 2024.

The consultation outlined the following changes:

- (a) To maintain the maximum level of support available to working age cases.
- (b) Change the current variable Non-Dependant Deductions and introduce a standard weekly deduction.
- (c) Apply a band restriction whereby a limit will be applied when calculating Council Tax Reduction, based on a Council Tax band C maximum.
- (d) Remove second adult reduction from the scheme for working age applicants.
- (e) Remove the extended payments provision from the working age scheme.
- (f) Include special disregards for the Post Office Compensation Scheme payments, the Infected Blood Scheme payments and payments made due to the Grenfell Tower inquiry.

11. The consultation resulted in 332 responses and for all questions the majority of respondents agreed with the proposals (between 64% and 73% depending on the proposal agreed with the change). Please refer to Annex A.

Reducing the support for working age applicants

12. Since that time, it was decided that a further consultation was required which asked taxpayers to comment on reducing the level of support to working age applicants (the original proposal maintained the existing level of support). This further change is to support the authority's financial plan to reach a balanced budget for 2025/26.
13. A second consultation was undertaken and ended on the 16 January 2025.

The consultation outlined the following change:

- (a) Agree to reducing the maximum level of support for Council Tax to 40% for all Working Age applicants.

14. The consultation received 1,191 responses of those 905 responses were received regarding the reduction to the 40% maximum allowance and 847 responses were received regarding the proposal to reduce the level to **all** working age applicants. Please refer to Annex A.

Finance

15. For the current year it is estimated that £21.1m in council tax reductions will be granted under our current scheme for both pension age (£9.8m) and working age (£11.3m). The Council meets 85% of the cost of the scheme (£17.9m) and the remainder is met by the precepting authorities (i.e. Fire and Police).
16. Savings of gross £4.9m (£0.7m relates to funding for the Major Precepts), for Dudley Council this means a potential £4.2m will be achieved by reducing the maximum level of support for Council Tax to 40% for all Working Age applicants. The table below summarises the position between the proposed scheme and the current scheme.

% to be paid by Claimants	Maximum % for CTR	Potential Savings (Including Preceptors)	Potential Savings (Dudley only)	Average weekly CTR Award
60%	40%	£4.9m	£4.2m	£8.28
23% (current scheme)	77%	NIL	NIL	£15.74

Law

17. Schedule 1A (3) of the Local Government Finance Act 1992, states that before making a scheme, the authority must:
- consult any major precepting authority which has power to issue a precept to it,
 - publish a draft scheme in such manner as it thinks fit, and
 - consult such other persons as it considers are likely to have an interest in the operation of the scheme.

Risk Management

18. The introduction of changes such as those recommended, and a final decision will need to be made by the Council following full consultation. It should be noted however that there is always a possibility that any additional Council Tax amounts imposed on working age applicants may result in a lowering of the Council Tax collection rate for that cohort.

Equality Impact

19. A full equality impact assessment has been undertaken and can be viewed in Annex B.

Human Resources/Organisational Development

20. There are no direct Human Resources / Organisational Development implications.

Commercial/Procurement

21. There are no commercial or procurement implications.

Environment / Climate Change

22. There are no direct environmental implications within this report impacting on the Council's work to address Climate Change and achieve the Net Zero target for the borough by 2041.

Council Plan

23. This proposal aligns to the Council Plan for 'Financial sustainability, efficiency and providing best value, by developing new ways of working, reshaping our services and operating models. And to the Governance and control, by defining a clear and transparent governance and decision-making structure.



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[Annex A,B and C to this report are available on Dudley's Committee Management Information System \(CMIS\).](#)