

## SPICe Briefing

# Council Tax Reduction

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The council tax reduction scheme reduces how much council tax a low income household has to pay. This briefing provides background to the scheme and details of how it is calculated.

The briefing also provides information on changes to the scheme from April 2017. In particular, the scheme will exempt households, living in council tax band E-H properties, with a median income or below, from the increase in council tax bills arising from the Scottish Government's reforms to how council tax in higher band properties is calculated.



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## EXECUTIVE SUMMARY

The council tax reduction (CTR) scheme reduces how much council tax a low-income household has to pay. How much CTR a household will be entitled to depends on their circumstances, income and savings. Normally, households with capital of over £16,000 will not be eligible for CTR.

The CTR scheme is governed by secondary legislation and is administered by local authorities. There are around 490,000 recipients of CTR in Scotland. Just over three quarters of CTR recipients are awarded full CTR i.e. they have no council tax to pay (but must still pay water and sewage charges). The cost of the scheme in 2015-16, in terms of foregone local authority income, was £329.9 million. This is around 14% of the total council tax billed.

### CTR scheme changes

Local authorities set the Band D council tax rates and the council tax for properties in other bands is set as a proportion of the Band D rate using 'multipliers' set out in legislation. The Scottish Government has changed these multipliers. Those living in higher bands, E, F, G and H will now pay a higher proportion of the Band D rate.

From April 2017, the Scottish Government has introduced two main changes to the CTR scheme:

- Single person households with an income of £16,750 or below, and other households with an income of £25,000 or below, living in a council tax Band E-H property, will be exempt from the increase in council tax as a result of Scottish Government changes to how council tax bands are calculated. Those with incomes slightly above these levels may also be entitled to some relief from the change. The Scottish Government has estimated that the exemption from this change could potentially benefit up to 54,000 households.
- The allowance for dependent children within the CTR regulations has been increased by 25% to £83.63 a week. Allowances are used in the calculation to determine how much CTR a household is entitled to. The Scottish Government has estimated that this will benefit relevant households by an average of £173 a year.

### Council Tax Increases

After a 9-year council tax freeze, 24 councils have increased their council tax for 2017-18. Therefore, council tax bills may increase because of the band changes and because councils have increased their council tax rates. This means that people who qualify for the new relief for Band E to H households may still find that their council tax bills increase.

This may cause some confusion. When the relevant regulations were being scrutinised in Parliament, stakeholders suggested that there would need to be clear communication from the Scottish Government and local authorities about why council tax bills were increasing. Additional funding was added to the local government budget in 2016-17 to cover the administration costs of implementing the reforms to council tax and the CTR scheme. This included specific provision for communicating the changes.

## Take-up

There are no statistics on how many people would be entitled to CTR but do not claim it. However, previous estimates of take up of council tax benefit (which CTR replaced) indicated it was a benefit with a relatively low take-up compared to other means-tested benefits. This was particularly so amongst pensioners and owner-occupiers, compared to some other means-tested benefits.

## Further Reform

Some organisations have suggested ways in which CTR could support single adult households and young people in low-paid employment more. Others have argued for the integration of support for council tax payments within universal credit.

### Abbreviations used in this briefing

AA	attendance allowance
CTR	council tax reduction
DLA	disability living allowance
HB	housing benefit
PIP	personal independence payment
SSI	Scottish Statutory Instrument
UC	universal credit

# INTRODUCTION

In 2013, the UK Government abolished council tax benefit, devolving support for low-income households in meeting their council tax liabilities to the Scottish Government. The UK Government added an amount equivalent to 90% of the projected council tax benefit costs to the block grant to support this.

The Scottish Government went on to introduce a national council tax reduction (CTR) scheme to help low-income households with their council tax bill. This was intended to ensure that, as far as possible, the net council tax liabilities of council tax benefit claimants did not change when the new scheme was introduced.

This briefing gives a short background to the system of council tax in Scotland and how it is changing, before describing how the CTR scheme works.

## COUNCIL TAX – BACKGROUND

Council tax is the system of local taxation that is used to part-fund local authorities. It has been in place since April 1993 and is governed by provisions in the Local Government Finance Act 1992 and associated regulations.

[Assessors](#) are responsible for placing residential properties in one of eight council tax valuation Bands A to H depending on the value of the property (based on 1991 values). A is the lowest Band and H is the highest Band.

Local authorities set the Band D council tax rate and the rate for other properties is calculated as a ratio to the Band D rate, using multipliers set out in legislation (s74(1) Local Government Finance Act 1992).

## LIABILITY, EXEMPTIONS AND DISCOUNTS

There is only one council tax bill for each dwelling. This bill also includes charges for water and sewage, which CTR does not provide assistance with. There are fairly complicated rules regarding who is liable to pay council tax.<sup>1</sup> Generally, resident owner-occupiers or tenant occupiers are liable to pay. A range of exemptions and discounts also exist, and are described briefly below:

- Some empty properties are exempt from council tax (although some are only exempt for a limited time period).
- A property that is wholly occupied by full-time students is exempt from council tax.
- If only one adult lives in a dwelling the council tax bill is reduced by 25%. Certain categories of people, such as those who are “severely mentally impaired”, or live-in carers, are disregarded for council tax calculation purposes.
- If a property has been adapted to meet the needs of a disabled adult or child living there, the council tax bill may be reduced.
- A local authority can grant a discount of between 10% and 50% for second homes or, from April 2017, it can choose not to offer this discount.

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<sup>1</sup> The rules regarding liability are set out in section 75 and section 76 of the Local Government Finance Act 1992 and associated regulations.

If someone thinks that they have been billed for council tax when they should be exempt or receive a discount, they should contact their local authority. Further sources of information on council tax liability, discount and exemptions can be found on the Scottish Government [website](#).

## COUNCIL TAX REFORM - CHANGING RATIOS FOR BAND E TO H

**The way that council tax for properties in bands E, F, G and H is calculated has been changed. The council tax for these properties is now set at a higher ratio to the Band D rate than previously.**

The design and structure of council tax has remained largely unchanged since it was introduced in 1993. COSLA and the Scottish Government established the [Commission on Local Tax Reform](#) which reported in December 2015. The Commission concluded that “the present Council Tax system must end.” It noted that local tax “needs substantial reform” because “some people are paying more than they should.” (Commission on Local Tax Reform, 2015)

Although the report did not recommend a specific course of action, it included three possible alternatives that could “raise the same” revenue as the council tax. [Financial Scrutiny Unit Briefing 16/28 Scottish Government proposals for Council Tax reform](#) (Campbell 2016) provides further information.

Following the Commission’s report, the Scottish Government chose to focus its main reform on changing the multipliers for properties in Bands E, F, G and H. While this particular option was not suggested by the Commission, the Scottish Government argued that this change will make the council tax more proportionate (Scottish Parliament Local Government and Communities Committee 2016).

This change in multipliers was implemented by the Council Tax (Substitution of Proportion) (Scotland) Order 2016 which was considered by the Scottish Parliament’s [Local Government and Communities Committee](#).

Table 1 sets out the previous and new multipliers as well as information on the 1991 property values assigned to each band. Please note that the ratios have been provided in decimal format rounded to two decimal places to aid comparison. Anyone wishing to make their own calculations should use the exact [proportions](#) set out in the Order.

**Table 1 – Council Tax Bands and Multipliers**

Band	A	B	C	D	E	F	G	H
<b>Value (1991 property values)</b>	Up to £27,000	£27,001 to £35,000	£35,001 to £45,000	£45,001 to £58,000	£58,001 to £80,000	£80,001 to £106,000	£106,001 to £212,000	£212,001 and over
<b>Ratio to Band D – 2016-17</b>	0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00
<b>Ratio to Band D – 2017-18</b>	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45
<b>Change</b>	-	-	-	-	7.5%	12.5%	17.5%	22.5%

Source: Campbell 2016

## Impact of Ratio Changes

As each local authority sets its own Band D council tax rate, the impact of the change to the way the bands are calculated varies across the country. Following a 9 year<sup>2</sup> council tax freeze, 24 local authorities have increased their council tax rates from 2017-18. Of these, 21 councils have increased their council tax by 3%.

Based on the 2017-18 Band D rates:

- for Band E properties, the impact of the banding changes varies from a rise of £97 in Eilean Siar to £114 in Glasgow and Midlothian (rounded figures).
- for Band H properties, the impact of the banding changes varies from a rise of £475 in Eilean Siar to £562 in Glasgow (rounded figures).

Annex 1 sets out the impact of the changes to the ratios between council tax bands in each local authority area.

The Scottish Government has introduced changes to the CTR scheme to exempt households with income at or below the median from the impact of these changes (see page 14 below).

## BACKGROUND TO THE COUNCIL TAX REDUCTION SCHEME

In 2013, the UK Government abolished<sup>3</sup> council tax benefit as part of its welfare reform programme, removing support for council tax from the benefits system. In Scotland, responsibility for assisting low income households with their council tax bills transferred to the Scottish Government.

The Scottish Government introduced the CTR scheme on 1 April 2013. The scheme works by reducing the council tax bill of someone who is liable to pay council tax and meets the qualifying criteria.

CTR is not a social security benefit. However, when it was introduced the Scottish Government's policy intention was that the scheme would replicate entitlement to council tax benefit as far as possible.

Historically, council tax benefit was calculated in a similar way to housing benefit (HB). Both benefits were also administered by local authorities. As a result, many of the features of the CTR scheme replicate the HB rules. However, there are now some differences between the CTR scheme and HB, which are detailed in [a briefing note by CPAG](#) (2016).

The rules regarding CTR are set out in the Council Tax Reduction (Scotland) Regulations 2012 and the Council Tax Reduction (State Pension Credit) Regulations 2012. These were made under s80 of the Local Government Finance Act 1992.

When the UK Government transferred responsibility for assisting low income households with their council tax to the Scottish Government, there was also a transfer of funding. This was equivalent to the expected costs of council tax benefit in Scotland minus 10% (which amounted to £40m). However, the Scottish Government and COSLA agreed to make up the 10% cut, with the Scottish Government contributing £23m and local authorities agreeing to absorb the remaining £17m.

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<sup>2</sup> Over the 9 year period, 2008-09 to 2016-17, all councils had frozen their council tax at 2007-08 levels

<sup>3</sup> Provision for the abolition of council tax benefit was made in the Welfare Reform Act 2012

# ENTITLEMENT TO COUNCIL TAX REDUCTION

This section gives an outline of how CTR is calculated. For more detailed information, including about the CTR residence rules and the calculation of entitlement, see the [Citizen's Advice Scotland CTR pages](#).

From April 2017, there will be three types of CTR. These are:

- the main rules (with different rules for universal credit (UC) claimants)
- second adult rebate
- a new relief for Band E-H households from April

These are explained separately below. People who are unsure whether they qualify for CTR (or who have been refused it and think that the decision might be wrong) should seek advice, for example from a citizen's advice bureau or local authority welfare rights service.

## APPLICATIONS FOR CTR

People must apply for CTR to qualify. Whichever type(s) of CTR the claimant may qualify for, the application should be made in the same way. Applications must normally be made on the local authority's own claim form, although there is the discretion to accept any other written information that is considered to be sufficient.

Some Scottish local authorities have introduced online claim forms for CTR. Telephone applications can also be made if the local authority accepts this method of applying. Local authorities publish details of how to apply on their websites.

## Backdating

There are two sets of CTR backdating rules, depending on the age of the claimant.

- Working age claimants can have their entitlement backdated for up to one month if they can show "continuous good cause" for not claiming sooner.
- Pension age claimants can have their entitlement backdated by three months, and do not have to show any reason for making a late claim.

The date on which a CTR claim is treated as made is fixed by the date on which the claimant claimed a DWP means-tested benefit, if the CTR claim was made within a month of that date. This allows working age claimants, who have recently claimed DWP benefits, to receive limited backdating without needing to show good cause for not applying sooner. Those already getting a means-tested benefit are treated as claiming CTR on the date they became liable for council tax, if they do so within one month of becoming liable.

## Claiming in advance

Local authorities *must* award CTR in advance if the claimant will become liable for council tax within 8 weeks of the day on which they apply, and meets the other conditions of entitlement. Local authorities also *have the discretion* to award CTR in advance if a claim is made up to 13 weeks before the claimant would become eligible for another reason. These rules do not apply to people who apply from abroad, or who are treated as not living in the UK.

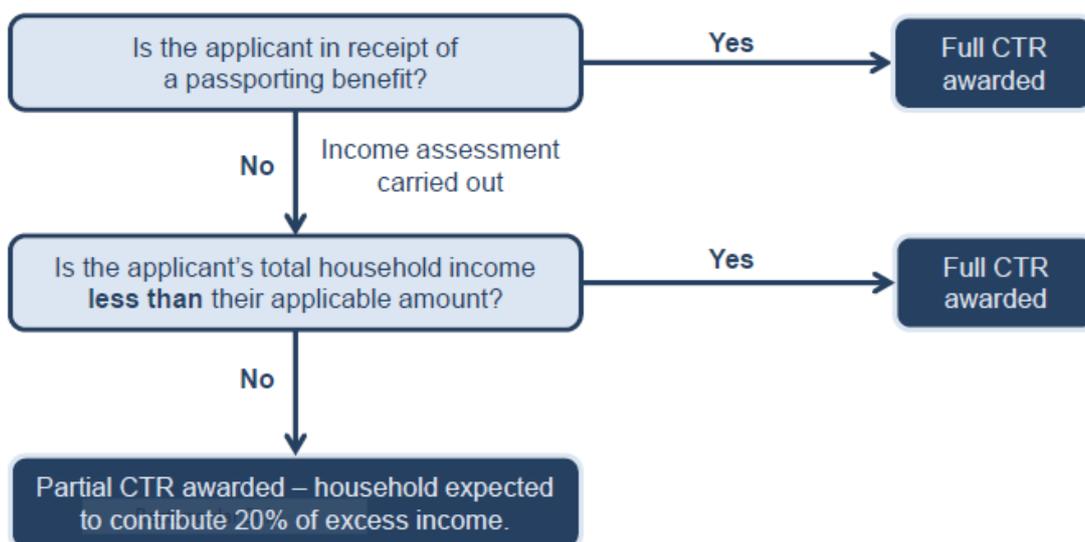
## Changes after claiming CTR

Claimants must report any changes in their financial or household circumstances if they are entitled to CTR. If the change alters entitlement to CTR, the local authority recalculates the claimant's council tax liability and issues a revised council tax bill.

## THE MAIN CTR CALCULATION

CTR normally works by comparing the amount of income a person has with the amount that the Government considers a person needs to live on (this is known as the "applicable amount" (see p11)). The Scottish Government uses the same applicable amounts that are set by the UK Government for HB. Figure 1 shows how CTR is normally calculated (referred to as "main CTR" below).

Figure 1 – process for calculating main CTR awards



Source: Scottish Government 2016a

There are some exceptions to the main CTR rules shown in figure 1 above.

- UC claimants have their CTR entitlement calculated differently.
- Alternative maximum council tax reduction, or second adult rebate, considers the circumstances of adult non-dependants rather than the claimant.
- A new alternative method of calculating CTR for claimants in Band E to H households is being introduced from April 2017.

All of these methods of calculating CTR are explained further below.

Most current recipients of CTR have their council tax liability reduced to zero due to having no non-dependant adults living with them, and being in receipt of a passporting benefit. These terms are explained further below.

### Maximum council tax reduction and non-dependants

The maximum amount of CTR (referred to as "Full CTR" in figure 1 above) is 100% of the claimant's council tax liability, unless they live with adult non-dependants. A non-dependant is generally any adult living with the claimant, unless they are the claimant's partner, jointly liable for council tax, pay rent to the claimant and are not related to them, or are a paid live-in carer. This would include adult children living at home, for example.

As a non-dependant is normally expected to make a contribution to household bills, the applicant's maximum CTR is reduced by a "non-dependant deduction", with some exceptions. The amount of a deduction depends on whether the non-dependant is in "remunerative work" (of 16 hours a week or more), and if they *are* in remunerative work, on their gross earnings.

There are two groups of exemptions from these rules:

- those whose personal circumstances mean that no deductions are made even if they have non-dependants (such as people getting certain levels of disability benefit)
- those non-dependants for whom no deduction is made regardless of their income (such as full-time students).

There is more detailed information about non-dependants and deductions on the [Citizens Advice Scotland website](#).

## Passporting benefits

Getting one of the following DWP benefits automatically qualifies the recipient for their maximum CTR (although they must still make a claim to qualify):

- **income-based jobseeker's allowance** – paid to people who are unemployed and have a low household income
- **income-related employment and support allowance** – paid to people whose ability to work is limited by illness or disability, and who have a low household income
- **income support** – paid to people in specific other groups (such as carers and lone parents of young children) who have a low household income
- **pension credit (guarantee credit)** – paid to people over the qualifying age<sup>4</sup> who have a low household income.

Note that the first three passporting benefits are in the process of being replaced by UC (see below).

## Applicable amount

This is the amount that the law sets as a minimum income required for a household to live on. If their income is above this, their entitlement to CTR is reduced. There are three main parts to the applicable amount:

- a personal allowance, which varies for single people and couples and also by age;
- an allowance for each dependent child; and
- any applicable premiums. A premium is an amount to reflect any special needs the claimant has e.g. there are disability premiums and family premiums. The family premium ended for new claims from 1 May 2016.

The Scottish Government uses the applicable amounts set by the UK Government for HB. These figures are normally updated by the UK Government each year and the Scottish Government uses secondary legislation to update the figures in the CTR scheme. The UK Government has frozen the amount of most working-age benefits for four years from April

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<sup>4</sup> This is the age at which a woman is able to claim a state pension. It is increasing from 60 to 65 between 2010 and 2018, and will then rise to 66 (for both men and women) by October 2020.

2016.<sup>5</sup> This means that the working age personal allowances have not been increased since April 2016, although other premiums and amounts for pensioners have increased.<sup>6</sup>

From April 2017, the Scottish Government has departed slightly from the UK Government's uprating of the applicable amounts within HB. The amount for each dependent child within the CTR regulations will increase by 25% from £66.90 to £83.63<sup>7</sup> whereas the dependent child amounts in HB will remain at £66.90. In March 2016, the Scottish Government estimated that, "...this will benefit 77,000 low income families by an average of £173 per year, supporting an estimated 140,000 children" (Scottish Government 2016b).

## **Income and capital**

Claimants not entitled to a passporting benefit have their total household income compared with their applicable amount. If the income is lower than this they are entitled to the maximum CTR.

CTR (with the exception of the second adult rebate explained below) is not payable to people with capital above the upper limit of £16,000, unless they are entitled to one of the passporting benefits above.<sup>8</sup>

There is also a lower threshold above which household savings start to reduce the CTR award. This is £6,000 for people of working age and £10,000 for people of pension age. If the claimant(s) have capital that is worth more than this, an assumed "tariff income" is taken into account, reducing the amount of CTR payable.<sup>9</sup>

Capital includes most types of savings, but there are important disregards, such as the value of the home occupied by the claimant(s), and the value of any pension savings for working age claimants. People who have disposed of capital for the purposes of increasing their entitlement to CTR (or DWP means-tested benefits) are treated as still possessing it when assessing their CTR entitlement.

People who have an income that is just above their applicable amount may qualify for partial CTR, as the amount of CTR received is tapered at the rate of 20p for every £1 of excess net income.

Some types of income are disregarded, such as child maintenance payments, child benefit, disability living allowance (DLA), personal independence payment (PIP) and attendance allowance (AA). Other types of income are taken into account in full, such as private pensions, carer's allowance and tax credits. Earnings are partially disregarded – the amount of the disregard depending on the household circumstances and whether they have childcare costs.

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<sup>5</sup> Welfare Reform and Work Act 2016 c.7

<sup>6</sup> The most recent uprating regulations are the [Council Tax Reduction \(Scotland\) Amendment Regulations 2017 SS1 2017/41](#)

<sup>7</sup> SSI 2016/253

<sup>8</sup> As all of the passporting benefits except pension credit are themselves not payable to people with capital over £16,000, in practice, only people entitled to pension credit (guaranteed credit) are able to get main CTR despite having over £16,000 capital.

<sup>9</sup> The tariff income included is £1 a week for every £250 (or part thereof) above the threshold for working age claimants, and £1 a week for every £500 (or part thereof) above the threshold for pension age claimants.

## CTR FOR UNIVERSAL CREDIT CLAIMANTS

For CTR applicants in receipt of UC, the calculation of entitlement is different. The local authority must instead use the UC “maximum amount” – similar to the concept of an applicable amount explained above – and the income figure used in the UC calculation by the DWP. The claimant’s award of UC is also included as part of the claimant’s income. Similar to the change described above, from April 2017 local authorities must increase the maximum amount by £16.73 a week for each child that the claimant is responsible for (SSI 2017/41).<sup>10</sup>

If a claimant’s income (including their entitlement to UC) is greater than the UC maximum amount, the entitlement to CTR is reduced by 20p for every £1 of excess net income. There is more information about how the UC calculation works in [SPICe Briefing 17/09 The Introduction of Universal Credit](#) (Shaw 2017).

## SECOND ADULT REBATE

What the regulations refer to as “alternative maximum council tax reduction” is more commonly known as the “second adult rebate”. This is intended to provide partial relief from council tax liability for people who are liable for council tax and live with non-dependants who have a low income. It is a type of CTR, governed by the same regulations. It should be applied for in the same way as main CTR (see above).

Second adult rebate is awarded to the claimant if they apply for CTR and would be better off with it than with CTR calculated under the main rules. Second adult rebate cannot be paid in addition to main CTR. People with high incomes or substantial savings and full-time students are not excluded from second adult rebate, so should consider claiming CTR if they have lodgers who cannot afford to contribute towards council tax bills, for example.

To qualify for second adult rebate, someone must share their home with one or more non-dependant adults. The non-dependant(s):

- must be aged 18 or over;
- must not share liability for paying council tax; and
- must not be disregarded for the purposes of council tax liability (e.g. as a live-in carer).

Where someone claims a second adult rebate, CTR entitlement is based on the non-dependant’s income, not that of the liable person. The calculation is based on the gross income of the non-dependant, excluding means-tested benefits. Some other kinds of income are also ignored, such as AA, DLA or PIP. The claimant’s own income and capital do not matter.

The maximum amount of second adult rebate is normally limited to 25% of council tax liability. The exception to this is that, if the claimant is a full-time student and all other occupiers are getting one of the passporting benefits (see above), council tax liability is reduced by 100%.

## NEW CTR CALCULATION FOR BAND E-H HOUSEHOLDS FROM APRIL 2017

From April 2017, the CTR scheme will include a third way of calculating CTR. This is intended to protect households with median incomes or below from changes to their Council Tax due to the

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<sup>10</sup> £16.73 is also included for any children for whom an amount is not included in the UC maximum amount due to reforms made to UC by the Welfare Reform and Work Act 2016.

change to the ratio between Band D and Bands E to H. It is introduced by the Council Tax Reduction (Scotland) Amendment (No. 2) Regulations 2016.

Households who meet the qualifying criteria will see no increase to their council tax bills *due to the ratios between higher council tax bands and Band D*. To qualify, a person must be liable for council tax and:

- must make an application for CTR
- must be eligible for CTR (for example, must satisfy the residence tests)
- must not have capital over £16,000 (unless on a passporting benefit – see above)
- must have an income below or near the median (see below).

This new type of CTR cannot be greater than the extra amount of council tax charged on a particular property due to the ratio changes from April 2017 (see Table 1 above). The maximum amount of CTR available under this part of the CTR scheme is set out in Annex 1, although it may be reduced if deductions are made for non-dependents (see p9).

“Income” includes everything counted as income in the main CTR calculation. Those households with an income at or below the median receive full relief from the increase to council tax caused by the changes to the banding ratios. Those just above median income receive tapered relief. Like the main CTR scheme, entitlement is tapered away by 20% of excess net income. For example, a couple living alone in a Band H property in Glasgow, with an assessed income of £530 a week, would have their annual council tax liability reduced by £30.22 (around 58p a week).

#### **Median income**

The median income figures used by the Scottish Government are £321 a week (£16,750 a year) for single claimants without children, and £479 a week (£25,000 a year) for others. The use of two different figures replaces the more complicated calculation of the “applicable amount” explained above. This approach is significantly less flexible than using an applicable amount. For example, it assumes that a couple with no children have the same needs as a family with any number of children.

The income that a household needs to attain a given standard of living will depend on its size and composition. “Equivalisation” is the process of adjusting a household's income for size and composition so that the incomes of all households can be considered on a comparable basis. The equivalisation used for the new type of CTR is a partial version of the modified OECD equivalisation scale.<sup>11</sup>

The local authority must compare entitlement to the new relief with that under the current main CTR scheme and second adult rebate. It must award whichever type of CTR will give the largest reduction to the council tax liability.

### **Impact of the new type of CTR**

In the [Council Tax Reform Equality Impact Assessment](#), the Scottish Government said:

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<sup>11</sup> The equivalisation used for couples and households with children is the OECD weighting given to a couple without children or a lone parent with one child. Even the full OECD equivalisation scale ignores other aspects of the applicable amount calculation, such as amounts for disability and caring responsibilities.

“Just over one-quarter of Scottish households are liable for council tax on properties banded E to H. Around three per cent of these households are in receipt of Council Tax Reduction and so will be protected from the changes. It is estimated that up to 54,000 low income households in Bands E to H will be entitled to an exemption from the increase in multipliers through an extension of the Council Tax Reduction scheme. The remaining households in Bands E to H will be liable for the increased charges.” (Scottish Government 2016c)

An example of the amount of relief this part of the scheme will provide is given below. In Moray Council, for example, the Band G council tax bill for 2017-18 is £2,289.39. A household with median income or below would be entitled to £340.97 CTR, under this part of the CTR scheme. They would still be liable to pay £1,948.42, the amount they would have paid in 2016-17 plus the council’s 3% increase in council tax.

Information on the maximum amount of CTR median income households in each band in each local authority would receive under this part of the CTR scheme is provided in Annex 1.

Council Tax bill 	
Band G - Moray	
2016-17	£1,891.67
+3%	£56.75
+ Band Change*	£340.97
2017-18	£2,289.39

The council tax reduction scheme will exempt households with median incomes or below from this amount

\*based on 2017-18 Band D rate

## CHALLENGING CTR DECISIONS

Whilst the CTR regulations generally closely mirror the equivalent HB rules, the method of challenging decisions is significantly different. CTR reviews are also very different to other challenges to the amount of council tax liability in Scotland.<sup>12</sup>

<sup>12</sup> Housing benefit decisions can be appealed to the local authority within one month of the date of the decision (this time limit can be extended in some circumstances). Appeals are then decided by the (reserved) [First-tier Tribunal \(Social Entitlement Chamber\)](#).

Other council tax liability disputes, for example about banding, discounts and exemptions, can be appealed to a [Valuation Appeal Committee](#).

## Review by the local authority

A claimant who disagrees with a CTR decision must write to the local authority within two months of the date on which the decision was made, stating why they disagree with it. The local authority must respond in writing within two months. The local authority response must say whether the decision has been changed or not, and advise the applicant that they can request a further review within 42 days, and where to send that request.

## Further review by the Council Tax Reduction Review Panel

Further review requests must be made to the [Council Tax Reduction Review Panel](#) (CTRRP). This is an independent reviewing body, supported by the Scottish Courts and Tribunals Service. A claimant can also request a further review if they do not receive a response to their initial review request from the local authority within two months. The Regulations state that, in these circumstances, the further review request should be sent to the local authority, but the CTRRP website suggests that the request should be sent to the panel itself.

Applicants for a CTRRP review can choose whether to request an oral hearing. Review hearings can be held across Scotland. The review is carried out by one or more members of a panel appointed by the Scottish Ministers. Panel members are legally qualified.

In April 2015, a new power to “set aside” CTRRP review decisions (and re-hear cases) was introduced. A set-aside can be granted if the CTRRP considers that this is in the interests of justice (SS1 2015/46). An application for set aside must be made within 14 days of the CTRRP decision, and must give reasons for the request.

There is no onward right of appeal against a CTRRP decision if a set-aside is refused. Decisions which are erroneous on a point of law can potentially be challenged in the Court of Session by judicial review. Claimants who feel that the panel’s decision is incorrect should seek legal advice as soon as possible. Judicial review can be expensive, the outcome is uncertain and there are strict time limits. For more information on judicial review see [SPICe Briefing 16/62 Judicial Review](#) (Harvie-Clark 2016).

Since the introduction of CTR, very few cases have been considered by the CTRRP. Table 2 below shows the most recent statistics.

**Table 2- Number of CTRRP cases since CTR was introduced**

Council Tax Reduction Review Panel	2013-14	2014-15	2015-16 (Forecast)	2016-17 (Projection)
Review requests received	6	52	84	100
Cases decided	12	51	64	64
Hearing days	0	8	7	24

Source: Scottish Courts and Tribunals Service (2016)

## NUMBER OF CTR RECIPIENTS AND TAKE-UP

There were 490,410 CTR recipients in Scotland in December 2016 (Scottish Government 2017a).

There are more CTR recipients in the lower council tax bands, with just over two-fifths in Band A and only four per cent in Bands E to H. This will, in part, be attributable to the spread of dwellings across Council Tax Bands – around three-quarters of chargeable dwellings are in Bands A to D (Scottish Government 2016a).

In March 2016, the latest month for which this data has been published, just over three-quarters (77%) of recipients were awarded full CTR i.e. their council tax liability was reduced to zero. Of these, 67% were on a passporting benefit. A further 10% were not on a passporting benefit but their incomes were assessed as low enough to qualify for full assistance. Just under a quarter of recipients (23%) were awarded partial CTR i.e. they still had some council tax to pay (Scottish Government 2016a).

## DECLINE IN CTR RECIPIENTS

The total number of CTR recipients in Scotland has decreased by 11.2% (61,970 recipients) between the beginning of the scheme in Scotland in April 2013 and December 2016.

This decrease in the number of recipients has varied widely between councils. For example, decreases ranged from lows of 6% in Aberdeenshire and 7% in Clackmannanshire, to over 15% in Eilean Siar and Shetland Isles. Both Edinburgh and North Lanarkshire also saw decreases of almost 14%. It should be noted that, while Shetland and Eilean Siar had relatively large percentage decreases, these equate to relatively small actual numbers of recipients. Figure 2 (p17) shows the percentage decrease in CTR recipients by local authority.

The decline in number of recipients could be linked to a number of factors, including the impact of changes to other benefits, and to improvement in the economic environment and the labour market.

### *Potential effect of UC on number of recipients of CTR*

It has also been suggested that recently numbers of CTR claimants could have declined as a consequence of the rollout of UC.

East Lothian was one of the first areas where UC was rolled out for all new claimants (these are known as “full service” areas). East Lothian Council gave evidence to the Scottish Parliament Social Security Committee (2016a) that the introduction of the UC full service had seen “a significant reduction in the take up of CTR, (a 7.6% reduction in CTR expenditure [for the year to date by] 30 September 2016).” A suggested reason for this was that UC claimants can no longer claim support with their rent and council tax together.<sup>13</sup>

In oral evidence to the Social Security Committee, the Council gave evidence (Scottish Parliament Social Security Committee, 2016b) of having:

“...asked [the DWP] for certain things, such as hypertext links to local authority application forms in the universal credit application, but [the council] have been given a firm no, based on a security argument”

In the same evidence session, Highland Council raised a different issue in relation to the UC full service (Scottish Parliament Social Security Committee, 2016b):

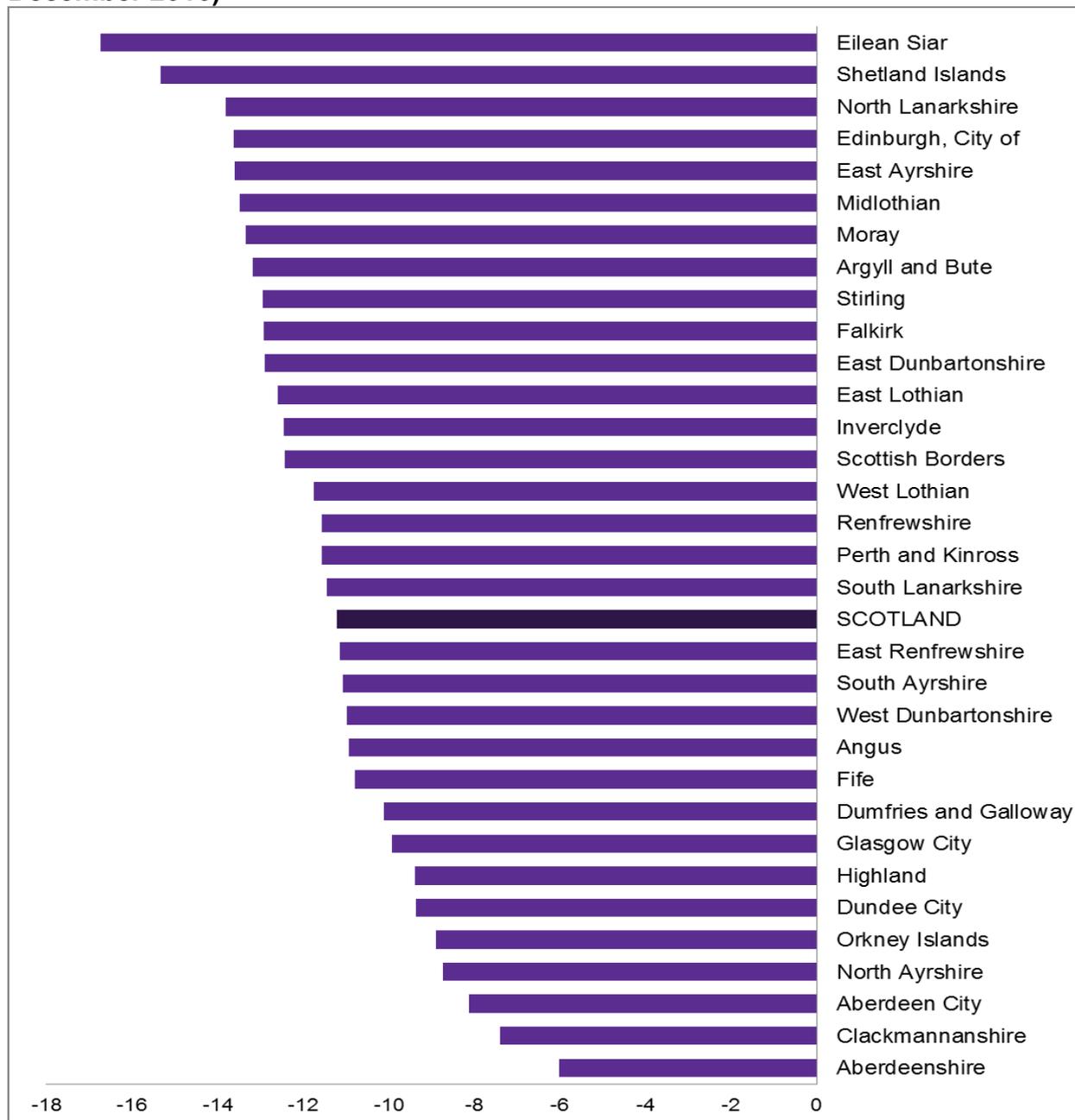
“... staff in revenues who are administering the council tax reduction can no longer phone the service centre to get information, so [they] have to go back to the claimant, which will delay payment of the council tax reduction”.

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<sup>13</sup> This was possible for people claiming HB and CTR, but HB is one of the benefits replaced by UC.

By December 2016, only 8% of the predicted Scottish UC caseload had been transferred to the new benefit (Shaw 2017). Therefore, how CTR and UC interact with each other may become a more important issue in the future, as the UC caseload grows.

**Figure 2 - Percentage change in number of CTR recipients by local authority (April 2013 - December 2016)**



Sources: Scottish Government (2014), Scottish Government (2017) and SPICe calculations

## TAKE-UP OF CTR

There are no estimates available of the number of people that could potentially be eligible for CTR who have not applied for it. However, previous DWP take-up statistics indicated that council tax benefit had a relatively poor uptake, particularly amongst pensioners and those living in owner-occupied housing.

The DWP estimated that in 2009 GB-wide take-up of council tax benefit was between 62% and 69% overall, and between 54% and 61% for pensioners (DWP, 2012). In some cases, people

not receiving CTR may only be entitled to relatively small amounts of CTR. As the DWP (2012) noted,

“... some people may not have considered it worthwhile claiming small amounts of benefit. Another explanation is that those close to the edge of entitlement, and therefore entitled to only small amounts, may not realise that they are entitled.”

### **Scottish Government plans to increase take-up**

The Scottish Government announced the most recent reforms to council tax in March 2016 (2016b). At the time, it stated that the reform package would:

“...address the known low uptake amongst pension age households who may be entitled to relief under the council tax reduction scheme”.

The Local Government and Communities Committee also considered this issue during scrutiny of draft Council Tax (Substitution of Proportion) (Scotland) Order 2016 (Scottish Parliament Local Government and Communities Committee 2016). Stakeholders emphasised the need to communicate changes to the CTR scheme to households and to ensure that those entitled to CTR received it. This was the job of both the Scottish Government and local authorities.

The Scottish Government's response to the Committee's report on the regulations (Scottish Government 2016d) indicated:

“The Scottish Government confirms the commitment made to the Committee by the Cabinet Secretary for Finance and the Constitution regarding communicating the changes to households. The Scottish Government will work with Local Authorities to ensure that the changes proposed are clearly and consistently highlighted to council tax payers.

The same communication will be important to raise awareness of potential entitlement to the Council Tax Reduction Scheme. Those presently in receipt of a Council Tax Reduction - nearly 500,000 households - will not need to act as the Scheme will automatically apply any changes.

However, the Scottish Government wishes to ensure others who may be entitled to a Reduction apply and it is our understanding that COSLA shares this view. It is not in anybody's interests for a household to fall into arrears when provision exists for their liability to be reduced to reflect their means and circumstances.”

As a consequence, £2.44 million of funding was added to the local government budget in 2016-17 to cover the administration costs of implementing the reforms to council tax and the council tax reduction scheme. Part of that funding was to make provision for local authorities to communicate the changes to those living in their area (Scottish Parliament, 2017a).

The Scottish Government (2016e) committed in its *Fairer Scotland Action Plan* to introducing a “financial health check service”, specifically mentioning CTR entitlement in relation to older people. In answer to a written parliamentary question, the Cabinet Secretary for Finance and the Constitution gave a little more detail of the Scottish Government's plans:

“We will work with partners to develop a Financial Health Check, ensuring that advice on income maximisation for older people makes reference to their entitlements, including Council Tax Reduction where applicable. We will also explore with partners whether more needs to be done to raise awareness of entitlements for older people.” (Scottish Parliament, 2017b)

More recently, the Scottish Government (2017b) has launched a benefit take-up campaign. The press release announcing the campaign gives recent take up estimates for reserved means-tested benefits, but not for CTR.

In evidence to the Social Security Committee, the Minister for Social Security announced that this would be followed by “targeted campaigns, starting with the benefits for which current take-up levels are known to be low” (Scottish Parliament Social Security Committee, 2017). It is not clear to what extent this campaign will focus on CTR, given the repeated emphasis on “benefits”. However, the [Citizen’s Advice Scotland webpage associated with the campaign](#) does have links to information about CTR.

## **FURTHER REFORM OF THE COUNCIL TAX REDUCTION SCHEME**

Despite the Scottish Government’s changes to council tax and the CTR scheme, there is still an appetite for further change (Scottish Parliament 2016). The Scottish Government views the recent changes to council tax as:

“...the first steps along a journey and the Scottish Government has committed that any future reforms will make local taxation fairer and more progressive” (Scottish Government 2016 d)

Any future reforms to council tax may provide an opportunity for a review of the range of discounts and exemptions in place and the CTR scheme. However, the Scottish Government has not indicated if this will definitely happen.

Suggestions about how the CTR scheme could be improved have been made. For example, some of the written evidence provided to the Local Government and Communities Committee in response to their call for views in relation to the draft Council Tax (Substitution of Proportion) (Scotland) Order 2016 suggested there was further scope for review.

For example, [Citizen’s Advice Scotland](#) welcomed the changes that the Scottish Government had made to the CTR scheme (Citizen’s Advice Scotland 2016). However, they argued for a wider review of the scheme, particularly to support single adult households and young people in low-paid employment:

“...the reforms may be seen as tinkering around the edges of a scheme that needs a more detailed review. Whilst the introduction of Council Tax Reduction (CTR) was successful in Scotland, with the funding commitment from the Scottish Government helping to ensure continued entitlement following transition from Council Tax Benefit, we believe that reforms to Council Tax should include a wider review of the eligibility of Council Tax Reduction (and other available reductions) to ensure that support reaches those most in need.

“Evidence from citizen’s advice bureaux provides insight into the client groups that are most likely to seek advice on Council Tax arrears. Our data show that more [than] two thirds of clients seeking advice live in a single adult household (68%), with women and those living in rented accommodation much more likely to seek advice. Our data also shows that this is a relatively young client group, with more than half under the age [of] 44 (55%). Around half of clients with Council Tax arrears are in employment.

“The data suggests that:

- Single adult households struggle with Council Tax payments, and that therefore the single person discount (25%) should be reviewed

- Young people in low paid employment also struggle, particularly when they are just outside of the eligibility for Council Tax Reduction (or go in and out of eligibility due to variable employment). Bureau advisers, supported by case evidence, have told us that there are a growing number of clients who are struggling to pay Council Tax due to low pay and/or unpredictable employment. Many of these clients are likely to have been affected by benefit reforms, particularly the narrowing of the criteria for tax credits.” (Citizens Advice Scotland 2016)

### *The potential to include council tax support within universal credit*

Some commentators have argued that support for council tax payments could have been integrated with UC. For example, Stuart Adam and James Browne, writing for the Joseph Rowntree Foundation, argued that keeping council tax support separate from UC undermined its simplification. They also suggested that a separate means test for council tax support could undermine the weak work incentives that UC was supposed to eliminate (Adam and Browne 2011).

More recently, David Finch, writing for the Resolution Foundation, suggests the integration of CTR within UC. He argues that separate claims for CTR and UC have introduced complexity for UC claimants. He suggests an increase to the UC taper if council tax support was included, in order to focus eligibility on lower income households.

Finch also suggests that, as the design of UC allows for variations in housing support across different areas, the integration of council tax support could take a similar approach, allowing for variation in council tax liability. This suggests that, even if the current CTR scheme was reformed to give more control to local authorities in Scotland, it could still perhaps be included within UC (Finch 2015). However, any changes to UC would require agreement with the DWP to amend its systems and information provided to claimants.

The UC taper rate (which reduces entitlement to that benefit as a claimant’s net earnings increase) will be reduced from 65% to 63% from April 2017. Once this happens, the combined taper where a claimant is entitled to both UC and CTR will be 70%.<sup>14</sup> One suggestion made by Finch (2015) is that the administrative savings generated by including CTR within UC could be used to reduce this taper rate.

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<sup>14</sup> SPICe calculations

## ANNEX 1:

This table shows the council tax increase for Band E to Band H properties *only* as a result of changes to the banding structure. This is the maximum CTR that median income households would be eligible for under the new type of CTR introduced from April 2017.

Local authority	Band E	Band F	Band G	Band H	Band D council tax Change 2016-17 to 2017-18
Aberdeen City	£112.79	£222.15	£358.86	£553.68	0%
Aberdeenshire	£107.21	£211.17	£341.11	£526.29	2.5%
Angus	£101.21	£199.36	£322.05	£496.87	3%
Argyll & Bute	£111.22	£219.08	£353.89	£546.00	3%
Clackmannanshire	£108.39	£213.50	£344.88	£532.10	3%
Dumfries & Galloway	£99.04	£195.08	£315.14	£486.21	3%
Dundee City	£113.76	£224.07	£361.96	£558.45	2.5%
East Ayrshire	£112.26	£221.12	£357.19	£551.10	3%
East Dunbartonshire	£107.81	£212.35	£343.03	£529.25	3%
East Lothian	£105.52	£207.85	£335.75	£518.02	3%
East Renfrewshire	£106.31	£209.40	£338.27	£521.90	3%
Edinburgh, City of	£110.37	£217.40	£351.19	£541.83	3%
Eilean Siar	£96.68	£190.44	£307.63	£474.62	3%
Falkirk	£101.02	£198.97	£321.42	£495.90	3%
Fife	£105.56	£207.92	£335.87	£518.19	3%
Glasgow City	£114.49	£225.51	£364.29	£562.05	3%
Highland	£109.81	£216.29	£349.38	£539.05	3%
Inverclyde	£109.82	£216.31	£349.42	£539.10	0%
Midlothian	£114.22	£224.97	£363.42	£560.70	3%
Moray	£107.16	£211.08	£340.97	£526.07	3%
North Ayrshire	£108.77	£214.24	£346.08	£533.95	3%
North Lanarkshire	£100.65	£198.25	£320.25	£494.10	0%
Orkney Islands	£97.90	£192.83	£311.50	£480.60	3%
Perth & Kinross	£108.26	£213.24	£344.46	£531.45	2%
Renfrewshire	£106.76	£210.29	£339.70	£524.11	0%
Scottish Borders	£102.35	£201.59	£325.65	£502.43	3%
Shetland Islands	£99.42	£195.83	£316.34	£488.07	3%
South Ayrshire	£108.95	£214.60	£346.67	£534.86	3%
South Lanarkshire	£100.93	£198.79	£321.13	£495.45	0%
Stirling	£109.73	£216.13	£349.13	£538.65	0%
West Dunbartonshire	£106.61	£209.99	£339.21	£523.35	0%
West Lothian	£103.40	£203.67	£329.00	£507.60	0%

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## **RELEVANT LEGISLATION**

The Local Government Finance Act 1992 c. 14

The Council Tax Reduction (Scotland) Regulations 2012 No. 303

The Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012 No. 319

The Council Tax Reduction (Scotland) Amendment Regulations 2015 No. 46

The Council Tax Reduction (Scotland) Amendment (No. 2) Regulations 2016 No. 253

The Council Tax (Substitution of Proportion) (Scotland) Order 2016 No. 368

The Council Tax Reduction (Scotland) Amendment Regulations 2017 No. 41

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## RELATED BRIEFINGS

[SB 16/28 Scottish Government proposals for Council Tax reform](#) (1,121KB pdf)

[SB 17/09 The Introduction of Universal Credit](#)

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