POLICY NOTE

THE COUNCIL TAX REDUCTION (SCOTLAND) AMENDMENT (NO. 2) REGULATIONS 2023

SSI 2023/197

1. The above instrument is made in exercise of the powers conferred by sections 80 and 113(1) and paragraph 1 of schedule 2 of the Local Government Finance Act 1992. It is subject to the negative procedure.

The purpose of these Regulations is to amend The Council Tax Reduction (Scotland) Regulations 2021 to increase the maximum deduction that can be made in respect of childcare costs for recipients of universal credit in the Council Tax Reduction scheme.

Policy Objectives

2. This instrument amends the Council Tax Reduction (Scotland) Regulations 2021 ("the Working Age Regulations"). The Council Tax Reduction (CTR) scheme ensures that nobody has to suffer hardship because they have lost the ability to pay their council tax. The scheme assesses a household's income and other factors and can reduce council tax liability by up to 100% (meaning a household pays no council tax).

3. The UK Government has announced that from 28 June 2023 that they will introduce a change to universal credit which will increase the childcare cost caps to £950.92 for one child and £1630.15 for two or more children, per assessment period.

4. In carrying out CTR calculations for CTR applicants of working age, the sum included in the universal credit maximum amount to reflect childcare charges is uplifted to make it equivalent to 100% of the childcare costs actually incurred. The figure arrived at is then deducted from the applicant's unearned income, up to a maximum of £175 a week where there is one child in respect of whom relevant childcare charges are paid, and £300 where there are two or more children. Whilst the sum included in the universal credit maximum amount in respect of childcare charges is classed as unearned income (regulation 57(1)(p) of the Working Age Regulations), as things stand this will always be less than the maximum £175 or £300 that may be deducted. However, but for these regulations, from 28 June it will be possible for the childcare costs element of the universal credit maximum amount to exceed the childcare cost cap which can be deducted from income when calculating CTR entitlement. This could result in households seeing a higher proportion of their universal credit award being treated as income, whilst having their childcare costs capped at the current maximum amounts.

5. This instrument amends regulation 42 - Calculation of income on a weekly basis (applicants with an award of universal credit) to increase the maximum amounts that can be deducted from earnings to £258 where the applicant's family includes only one child in respect of whom relevant childcare charges are paid, and £442 where the applicant's family includes more than one child in respect of whom relevant child care charges are paid. This will ensure that the maximum deduction that can be made from income will not be less than the amount included in the universal credit maximum amount in respect of childcare charges. So nobody should be treated as having an increase in income as a result of the change.

Consultation

6. No formal consultation was required to be carried out in relation to these Regulations.

Impact Assessments and Financial Effects

7. This instrument amends existing Working Age Relations and Pension Age Regulations. There are no specific impact assessments. The amendments will not have a material impact on the cost of the scheme.

Local Government and Communities
Scottish Government
June 2023