

Report to: **Executive**

Date: **13 October 2022**

Title: **Proposed changes to the Council Tax Reduction Scheme for 2023/24**

Portfolio Area: **Benefits – Cllr Hopwood**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

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**Recommendations:**

**That the Executive:**

- 1. approve the proposed public consultation on a Council Tax Reduction Scheme for 2023/24 (as detailed in section 3 of the report); and**
- 2. request that the results of the public consultation be presented back to the Executive prior to a Council Tax Reduction Scheme for 2023/24 being considered for approval by the Council.**

**1. Executive summary**

- 1.1 There is a requirement to have a Council Tax Reduction Scheme to support residents who qualify for assistance in paying Council Tax. The Local Government Finance Act 1992 requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of Council Tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

- 1.2 It is an annual requirement for Councils to revisit their existing Council Tax Reduction scheme and make a decision as to whether to continue with, replace or revise it.
- 1.3 The current scheme has been reviewed annually, but has remained unchanged since 2019/20.
- 1.4 In order to make changes to our scheme for 2023/24 we are required by law to:
  - Consult with major precepting authorities.
  - Consult with other persons it considers are likely to have an interest in the operation of the scheme.
- 1.5 The final Council Tax Reduction Scheme must be adopted by the Council by 11 March 2023, and cannot be delegated to an officer or committee.

## **2. Background**

- 2.1 Council Tax Reduction (CTR) also known as Council Tax Support (CTS) was introduced in April 2013 and replaced the national Council Tax Benefit Scheme with a 10% funding reduction. The CTR scheme for working-age customers is a local scheme, however the scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally. Therefore any savings to the scheme must come from working age customers.
- 2.2 Local Schemes must take account of and:
  - Support work incentives and in particular avoid disincentives for those moving into work
  - Our duties to protect vulnerable people (these duties already exist under the Equality Act 2010, The Care Act 2014, Child Poverty Act 2010, The Housing Act 1996)
  - The Armed Forces Covenant.
- 2.3 In 2019, the Council introduced a banded scheme which assessed the maximum level of Council Tax Reduction based on the net income of the claimant and their partner, if applicable.
- 2.4 Since 2013/14, the Council has absorbed the cost of the 10% initial reduction in funding imposed by the Government following the introduction of the Council Tax Reduction Scheme. This significant cut to funding has resulted in most

Councils making changes to their local scheme to balance their budgets. It is important to note that council tax reduction is a council tax discount and not a benefit and is therefore reflected within the Council Taxbase calculation as a discount.

2.5 The following table sets out the annual expenditure and caseload since the banded scheme was introduced:

	Total caseload	Working age caseload	Pension age caseload	Working age expenditure £	Pension age expenditure £	Total expenditure £
April 19	4,867	2,132	2,735	2,106,601	2,787,950	4,894,551
April 20	5,372	2,947	2,425	3,348,358	2,896,973	6,245,331
April 21	5,365	2,993	2,372	3,060,257	2,971,105	6,031,362
April 22	5,012	2,712	2,300	2,712,507	2,954,753	5,667,260

2.6 The figures demonstrate that the key aims of the scheme, to help those in work on lower incomes, have been met.

### 3. Proposed new scheme

3.1 With the increased pressure on household budgets as a result of the cost of living crisis, the Council recognises that it needs to provide as much support as possible to those that need it most.

3.2 The new scheme proposes the following changes:

- i. The highest band, band 1 remains the same, this is because this band is for residents that are in receipt of a passported benefit i.e. Income Support, Job Seekers Allowance (income based), Employment Support Allowance (income related) and the basic form of Universal Credit. The current level ensures that these residents in most need will always qualify for the highest reduction.
- ii. The banded scheme for Family 1 + is already a very generous band as the Council based these figures on three children rather than the average two, this was to help the larger families. To uplift this group in line with the other groups would mean that many residents that don't necessarily need the help would now qualify. There is a slight increase to reflect the other changes made to the scheme to ensure that this group is not negatively impacted.

iii. Officers propose that the remaining bands be uplifted by 20% (above current inflation)

3.3 The changes are illustrated in the table below:

Band	Reduction	Single		Couple		Family 1		Family 1+	
		Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
1	85%	£95.00	£95.00	£138.00	£138.00	£220.00	£220.00	£355.00	£355.00
2	80%	£110.00	£132.00	£150.00	£180.00	£235.00	£282.00	£370.00	£385.00
3	50%	£160.00	£192.00	£200.00	£240.00	£285.00	£342.00	£420.00	£435.00
4	25%	£205.00	£246.00	£245.00	£294.00	£330.00	£396.00	£465.00	£480.00

3.4 The current scheme has a range of earning disregards, to incentivise people into work. Officers propose that the new scheme will have a single £25.00 disregard which will reduce the administrative burden on the Council and simplify the scheme for residents. Currently for those working, the scheme makes the following disregards:

- £5.00 for single people
- £10.00 for couples and families
- £20.00 for lone parents, disabled and carers
- For those working 16 hours or more there is a further £17.10 deduction

3.5 The Council proposes to consult on changes to the Minimum Income Floor. The Minimum Income Floor is where the scheme, following a 12 month start-up period, assumes a certain level of self-employed profit (linked to national minimum wage), even if the resident didn't earn that amount.

#### 4. Impact of proposed changes to the scheme

4.1 Officers have modelled the impact of the changes outlined in Section 3 of the report. The modelling is shown in the following table.

	Total caseload	Working age caseload	Pension age caseload	Working age expenditure £	Pension age expenditure £	Total expenditure £
Modelled changes	5,067	2,771	2,296	2,790,860	2,928,507	5,719,367

at Sept. 2022						
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4.2 This modelling suggests that the number of residents claiming will remain consistent with the current scheme and the overall costs of the scheme are comparable.

## 5. Proposed Way Forward

5.1 Executive approves going out to public consultation on the proposed changes to the current Council Tax Reduction Scheme from Monday 17 October 2022 to Sunday 27 November 2022.

5.2 Requests that the results of the public consultation exercise be presented back to Executive Committee in January 2023, prior to a Council Tax Reduction Scheme 2023/24 being considered for approval by the Council.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Welfare Reform Act 2012 abolished Council Tax Benefit and instead required each billing authority to design a scheme for working age residents specifying the reductions which are to apply to amounts of council tax.</p> <p>All billing authorities in England are required to have a scheme identifying the reductions payable by residents who are in financial need under Section 13A of the Local Government Finance Act 1992 (updated in 2012). Schedule 1A paragraph 5 of the Act states that for each financial year, Councils must consider whether to revise their scheme or replace it with another scheme and that such decisions need to be made by 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make/revise its scheme by 11 March 2023, a default scheme will be imposed on the Council which will be effective from 1 April 2023.</p>

<p>Financial implications to include reference to value for money</p>	<p>Y</p>	<p>The cost of the Council Tax Reduction Scheme is met by South Hams District Council, and the major precepting authorities, in proportion to their share of the council tax. The CTR Scheme is reflected within the TaxBase calculation as a discount.</p> <p>Previous CTR schemes have always been modelled on a cost neutral basis, in that the cost of the scheme was the equivalent of the level of Government funding.</p> <p>Increasing the Band Thresholds would increase the cost of the scheme by around £52,000. The scheme is projected to cost £5.719million as opposed to the current £5.667 million. SHDC's share of the increase in cost is around 8% of this i.e. £4,160.</p> <p>It is envisaged that increasing the Band Thresholds would increase the council tax collection rate for residents in receipt of CTR.</p> <p>The Council Tax Collection Fund is in surplus by £2.74m as at 31.3.2022. A distribution of the surplus will be made to all major precepting authorities as part of the 2023/24 Budget setting process. This can be a way of financing the additional cost of the 2023/24 CTR scheme of £52,000, as although the scheme will cost more, preceptors will be receiving a larger distribution of a collection fund surplus than usual due to the level of the surplus on the fund.</p>
<p>Risk</p>	<p>Y</p>	<p>To reduce the cost to the Council, changes would have to be made to the level of support made to working age claimants. Most local authorities have already incorporated a reduced level of support into their local schemes which should be reviewed on an annual basis.</p> <p>There is a risk that the cost of maintaining the current local scheme will increase if the number of claimants increase due to the state of the local and national economy. This is particularly relevant now due to any likely impact of the cost of living crisis which may result in an increase in the working age council tax reduction caseload.</p>

Supporting Corporate Strategy	Y	Supporting the Council's response to the cost of living crisis. Supporting the Council's Quality Council Services
Climate Change - Carbon / Biodiversity Impact	N	
Comprehensive Impact Assessment Implications		
Equality and Diversity	None	
Safeguarding	None	
Community Safety, Crime and Disorder	None	
Health, Safety and Wellbeing	None	
Other implications	None	

**Supporting Information**

**Appendices:**

None

**Background Papers:**

None