

Report to: Cabinet
Date of Meeting: 4 September 2019
Public Document: Yes
Exemption: None
Review date for release: None



Subject: Council Tax Reduction Scheme for working age – Change to an income banded discount scheme from 2020/21

Purpose of report: This report is seeking Members to approve the draft scheme for public consultation. Members had approved on 12 December 2018 for officers to start scoping and developing an income banded discount scheme to be implemented for 2020/21. This report sets out the reasons why we now need to change our scheme and includes proposals for increasing the amount of council tax support for low income working age households.

Recommendation:

- 1. To agree the proposed draft scheme and carry out public consultation on it.**
- 2. Following public consultation, the Service Lead for Revenues & Benefits to carry out a more detailed review and finalise the scheme in consultation with the Leader, Deputy Leader and Portfolio Holders for Finance, Sustainable Homes & Communities and Corporate Services.**
- 3. The final scheme be presented to Cabinet at its meeting on 8 January 2020 with a view to obtaining a recommendation to Council.**
- 4. That we publish information for Members on the final scheme to ensure that they are fully informed once the final scheme is approved.**

Reason for recommendation: The report sets out the reasons why we now need to change our working age Council Tax Support Scheme. In order to change our scheme we must first agree to the draft scheme which we need to consult on before determining the final scheme to be adopted.

Officer: Libby Jarrett, Service Lead – Revenues, Benefits, Customer Services, Corporate Fraud & Compliance. ljarrett@eastdevon.gov.uk 01395 517450

Financial implications: The financial implications are outlined in the report, including the implications directly on EDDC. The report is recommending a draft scheme for consultation at this stage.

Legal implications: Schedule 1A of the Local Government Finance Act 1992 requires that the Council must decide, for each financial year, whether to revise its scheme or to replace it with another scheme. The recommendation is to revise the existing scheme along the lines detailed and to then carry out public consultation on it. For any consultation to be meaningful, responses need to be properly considered and had regard to in coming to a final decision. This will be dealt with by the Service Lead in consultation with the Members listed before a final draft is brought back to Cabinet for consideration.

Given the nature of what is proposed, or likely to be proposed, it is important that the Council has regard to its equality duties. Accordingly a detailed equality impact assessment (see background links) has been carried out, although a final assessment will only be able to be concluded once the consultation has been carried out, responses considered and final draft scheme produced. Members will be required to consider and take into account this assessment and officer conclusions before recommending the final scheme for approval.

Equalities impact: High Impact

A full [equality impact assessment](#) has been carried out on the proposed draft scheme.

Risk: Low Risk

The risk has been set to low as at this stage we are seeking approval to consult on a proposed scheme.

Links to background information: .

Link to Council Plan: Developing an outstanding local economy

Continuously improving to be an outstanding council.

1.0 Background

- 1.1 Council Tax Benefit was abolished in 2013 as part of the Government's welfare reform agenda and it was replaced with Council Tax Reduction (CTR). For working age customers the scheme is determined by the Billing Authority and for those of pension age it is prescribed by legislation. The national pension age scheme very much mirrors the former national benefit scheme. When abolishing the national benefit scheme the Government also cut funding by 10%. This meant that when Council's developed their local schemes for working age they needed to take account of the reduction in funding as pensioners were protected.
- 1.2 Like the majority of Council's across the country, we implemented a working age scheme that reflected the reduced funding level. Our scheme very much retained many of the core components of the former national benefit scheme but with a number of changes. The main changes that have been introduced since 2013 are:
 - Maximum support limited to 80% (this means that all working age customers have to pay the first 20% of their Council Tax bill (was up to 100% support)
 - Capital limit of £8,000 (was £16,000)
 - Capped to a Council Tax Band D charge (previously no band restriction)
 - Minimum income floor for self-employed applicants and their partner (in-line with Universal Credit (UC) rules)
 - An exceptional hardship fund
 - Limiting CTR to 2 children born after 1 May 2017 on new claims only from April 2018 (in-line with changes made to Housing Benefit (HB), Tax Credits & UC rules)
 - Removal of family premium on new claims only from April 2017 (in line with changes made to HB rules)
- 1.3 The main benefits at the time of keeping our scheme aligned to HB were:
 - HB & CTR could be done as a joint claim using one digital form.
 - Minimised confusion to the customer as many of the rules and calculations were similar
 - Staff didn't need to learn a separate set of rules for administering HB & CTR so avoided any increase in administration costs.

- Award notices for HB & CTR are generated as one notification.

- 1.4 East Devon went live to 'Full Service' UC¹ from July 2018 when no new claims for HB have been accepted from working age claimants (excludes temporary & specified accommodation & those entitled to severe disability premium within an existing benefit). This means that the main benefits of keeping our scheme aligned to HB have been lost. New claimants and those experience a 'triggering' change in circumstances must now apply for UC. This is administered by the Department for Work & Pensions (DWP) and includes an amount towards their housing costs and to the Council for CTR.
- 1.5 We have always recognised that we would need to change our scheme once customers started to move onto UC as we would no longer be able to 'piggy back' CTR on HB. Members approved the recommendation at Full Council on 12 December 2018 for officers to start scoping and developing an income banded discount scheme for 2020/21.
- 1.6 There are a number of Council's across the country that have already moved or will be moving from April 2020 to an income banded discount scheme. Most Devon Authorities are looking to move to this type of scheme from April 2020/21. South Hams/West Devon introduced this from April 2019. A report was presented to the Devon Local Government Steering Group (Devon Leaders and Chief Executives) at their meeting on 26 July 2019 where the principle of moving to an income banded scheme was supported.
- 1.7 When changing or implementing a new scheme we must take account of making sure our scheme supports work incentives and also our duties to protect vulnerable people. We also have a legal duty to consult with major preceptors before consulting with the public on our draft scheme. Any changes to a scheme must be adopted by Full Council by the 11 March for the new financial year

2.0 Current Caseload /Profile (as at July 2019)

	Working age	Pension Age	Total
Number of claimants	3,263	3,941	7,204
CTR award	£2,818,899.17	£4,526,126.02	£7,345,025.19

As pensioners are protected and subject to a national prescribed scheme we are therefore only reviewing those of working age. The above table shows that a higher proportion of funding goes to those of pension age.

2.1 Profile of our working age:

Profile	No of households	Disabled	Carers	Working
Single	1,541	888	61	141
Couples	258	188	122	32
Households (with 1 child)	579	182	83	169
Households with 2 children or more	885	284	208	317
Total	3,263	1,542 (47%)	474 (15%)	659 (20%)

¹ *Universal Credit (UC) – Replaces 6 legacy benefits (Housing Benefit / Income Support / Jobseeker's Allowance (Income based) / Employment & Support Allowance (Income related) / Child Tax Credit & Working Tax Credit. Entitlement is automatically recalculated monthly to reflect changes in income using Real Time Information, which is paid monthly in arrears.*

3.0 Drivers for changing our working age scheme – Simplify for customers and easier to administer

- 3.1 UC is highly reactive to change as entitlement is reassessed every month. These changes can be insignificant (eg £1 variation in earned income) but will trigger notification through the Universal Credit Data Hub for the authority to review entitlement to CTR. This means that we are now having to handle high volumes of work as the changes are creating on average 6 Council Tax changes per year for each customer. There is also the potential for UC to be re-assessed up to 12 times per year, or more when elements are missed off and re-calculated. We know from experience that claims have to be re-calculated due to missing information at the time a claim is made. Changing someone's entitlement to CTR results in an amended Council Tax bill being issued together with rescheduled instalments. This creates confusion for the customer and is likely to put customers into arrears.
- 3.2 Now that we are not dealing with HB we are finding in common with other Local Authorities that many customers do not claim CTR. They either do not understand that they need to apply separately, the complexity provides a barrier, or they are just not motivated to do so because any award given as a reduction in the amount payable rather than an award of benefit/money. Often this can come to light once a customer receives a recovery notice for non payment. One of the issues with our existing scheme is that we can only backdate by up to 1 month (same as HB).
- 3.3 Now that the link with HB has been broken the administrative burden of carrying out a full means test assessment for Council Tax cannot be justified. This is compounded by the fact that 59.6% of working age is currently 'passported' (automatic maximum 80% support awarded by virtue of receiving certain qualifying state benefits). However, under UC, 'passporting' ceases to exist which increases the admin burden further as this now needs to be determined based on the make-up of their UC entitlement.
- 3.4 We continue to see year on year reductions in the administrative funding we get for HB and CTR. As our HB caseload continues to fall (since July 2018 reduced by 18.14%) then we are likely to experience greater reductions in HB funding from DWP. Unfortunately the workload isn't reducing despite losing HB because of the high volumes of work we now receive from DWP in relation to CTR only cases. Since 2015/16 administrative funding has reduced by just over 23%:

Year	HB Admin £	CTR Admin £	Total £
2015/16	432,024	120,911	522,935
2016/17	362,676	137,583	500,259
2017/18	333,723	133,190	466,913
2018/19	311,072	122,449	433,521
2019/20	283,006	116,665	399,671

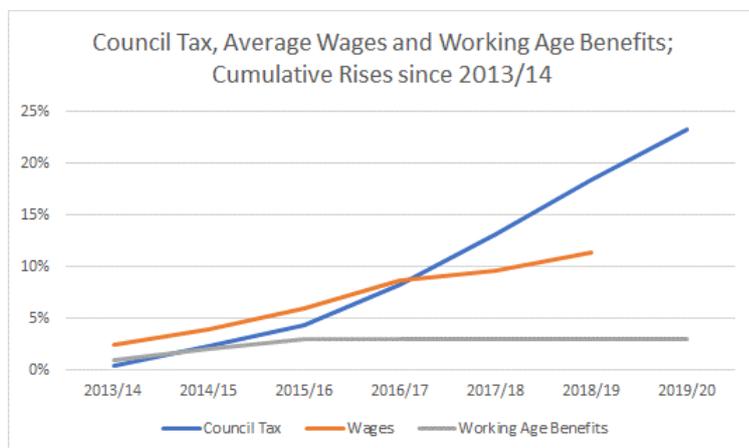
- 3.5 Any new scheme therefore needs to deliver a scheme that:
- Is more compatible with UC and does not respond to every change
 - Can be calculated without a complex means tested assessment.
 - Is more simple and transparent – making it easy for a customer to apply for and to understand their entitlement. Similar to how other council tax discounts work

4.0 Drivers for changing our working age scheme – Addressing the financial imbalance

- 4.1 Alongside, the administrative benefits of changing the scheme, consideration also needs to be given to customer's ability to pay Council Tax. Since CTR was introduced there have been many other welfare changes that working age low income households will have been impacted by such as; Benefit Cap, cuts in Housing Benefit (size restriction in social housing,

cuts to Local Housing Allowances for those in private rented sector), freezing of working age benefits/allowances, changes to working tax credits, etc. We have also seen the introduction of UC where the transition to this new benefit can create hardship due to the built-in '5 week' timeline customers have to wait before they receive their first payment.

4.2 In addition to the national welfare cuts, customers have also been impacted by rises in Council Tax. The graph below illustrates this point.



Notes

Wages: From 01/01/13 to 31/12/18 annual rises in median full-time weekly wages for Devon employees totalled 11.4%. ①

Benefits: Most working-age benefits and tax credit elements are subject to a four-year freeze for 2016/17 to 2019/20. ② This follows three years (2013/14-2015/16) when increases were limited to 1%.

Council Tax: Using East Devon Band D as an example, between 01/04/13 and 31/04/20 annual Council Tax rises totalled 23.3%.

① Official labour market statistics; <https://www.nomisweb.co.uk/>

② Benefits Uprating 2019; House of Commons Library <https://researchbriefings.files.parliament.uk/documents/CBP-8458/CBP-8458.pdf>

4.3 When the Council introduced the maximum entitlement of 80% (meaning customers would pay 20%) this equated to £234.34 for 2013/14 (based on a band B property) and so a customer would have to pay £4.51 per week. In 2019/20 this is now £293.20 (£5.64 per week), an increase of approximately 25%. However, as the graph shows benefits have in the main been frozen throughout the same period and some customers will also have been impacted by other welfare cuts. In real terms this means that customers are significantly worse off than from when this was first introduced. What should also be recognised is that if a CTR customer doesn't pay and we have to do an attachment to their benefits then the statutory deduction is £3.70 per week (equating to £192.40 per annum). The widening of this gap means the proportion of Council Tax that we won't be able to recover is now significantly more and will create the stacking of debts that are pending attachment. Ultimately it is likely that we will have to write these debts off. We currently have 560 (£93,769.89) Council Taxpayers subject to attachment to benefits which represents 17% of our working age CTR caseload. In addition we have 186 customers with pending attachment to benefits, this equates to £62,434.45 of arrears.

4.4 It is clear from the above that customers are much worse off than when CTR was first introduced. To address the inequity that has been caused from the rises in Council Tax compared to the freezing of state benefits would mean increasing support to around 85%, i.e. minimum amount customers pay 15% instead of 20%.

5.0 Drivers for changing our working age scheme – Customer's ability to pay

5.1 Our overall collection performance has remained high since CTR was introduced. See table below:

Year	Collection rate %
2012/13	98.67%
2013/14	98.56%
2014/15	98.83%
2015/16	98.94%

2016/17	99.01%
2017/18	98.98%
2018/19	98.81%

5.2 However, the amount of Council Tax that working age CTR customers have to pay represents only 1.12% of the total amount we need to collect. This means that any adverse impact in collection levels from this group would not necessarily be reflected within overall performance because it represents such a small proportion of our overall tax base.

5.3 Although the impact might not be visible in our overall performance, we have analysed the arrears of CTR customers. What we've been able to draw from this analysis is:

- 712 (22%) CTR customers are in arrears (2018/19) accumulating to £164,749.70 which represents 13% of all outstanding arrears despite the proportion of Council Tax CTR customers have to pay represents 1.12%.
- Those claiming Employment Support Allowance (ESA) Income Related are the lowest CTR cases in arrears (17%). This maybe because they are receiving other associated disability benefits (for example Personal Independence Payments (PIP)) and therefore have higher levels of benefits which are disregarded compared to other claimant types.
- UC customers have the highest proportion of outstanding arrears compared to other benefit income types with an average arrears of £282.25. We have 704 UC customers on CTR of which 33% are in arrears whereas the next highest benefit income type is Job Seekers at 23%.
- 25.5% of CTR customers who have children are in arrears with Council Tax compared to those without children is 18.2%.
- Only 22% of our CTR caseload is on UC. As more customers migrate then the risk of arrears increasing is extremely probable.

5.4 Exeter City Council have also carried out a similar analysis on their CTR arrears and identified that the highest proportion of CTR customers in arrears with Council Tax is also UC customers. Many of the likely reasons for this have already been captured in this report.

5.5 As only a small proportion of our caseload is currently on UC then the risk of arrears increasing is extremely probable. It is likely that we will see an increase in the amount we have to write off.

5.6 It is important that the design of our new scheme takes account of the issues of non-payment especially as UC claimants have the highest percentage in arrears.

6.0 Income banded discount scheme

6.1 An income banded discount scheme provides support based on bands of income and provides a percentage reduction off the bill. The number of discount bands, the level of discount and income thresholds can be varied.

6.2 Applying a percentage discount mirrors the principles of other types of Council Tax discounts. For example single person discount = 25% reduction.

6.3 By assessing entitlement mainly on income of those persons liable to pay Council Tax and by disregarding most of the benefit payments, for example; housing benefit, disability allowances, child benefit, etc. For those with no income, they would fall into the highest band and receive the maximum support. Also if there are other adults living in the property who are not liable we will no longer be taking account of their earnings. By taking this

approach means we don't have to get a customer to provide all this information and then have to build in a complex means test which is what we currently have.

- 6.4 Allows for a simpler application process for the customer and they will also be able to see easily what band they will fall into, enabling them to manage their finances and budgets.
- 6.5 Customers will only need to report changes that would affect the band that they fall in. This would reduce the volume of changes that we have to make and therefore instalments wouldn't be regularly recalculated. This would reduce the number of amended bills that have to be issued. This should also improve the ability of UC customers to establish and maintain affordable payment arrangements.
- 6.6 By mirroring the same backdated rules that apply to other Council Tax discounts means that customers who are late in applying can be considered for having their claim backdated.
- 6.7 The downside of an income banded scheme is there are 'cliff edges' meaning claimants can see much larger increases/reductions in entitlement if they change bands.

7.0 Proposed Draft Scheme for working age – Income banded discount scheme

- 7.1 The draft scheme being recommended to Members is based on the following:
 - 4 discount bands – 85%, 70%, 50% & 25%.
 - Income thresholds used are linked to the principles of the Government's applicable amounts (what someone needs to live off – a single over 25 is £73.10 per week)
 - Household types – single & couples with no children, households with one child and households with two or more children.
 - To support work incentives a flat rate of £25 of earned income is disregarded for those working 16 hours or more (streamlines existing rules and more beneficial).
 - Only the income of those liable to pay Council Tax will be taken into account (deductions from non-dependant adults living in the household are removed)
 - Certain benefits will continue to be disregarded; for example; Job Seekers Allowance (income based), Income Support, Disability Living Allowance, Personal Independence Payment, Employment Support Allowance (income based), Child Benefit, War Pensions, Housing Benefit, etc. (within our existing schemes).
 - Capital limit £6,000 (was £8,000). If they have more than £6,000 in savings then they will not qualify.
 - Restricting support up to a Band D charge (within our existing scheme since 2013)
 - Minimum income floor for all self-employed applicants and their partners after 12 months of trading (within our existing scheme since 2017)
 - Exceptional Hardship Fund (within our existing scheme since 2013)

7.2 The income bands being proposed are as follows:

Weekly Income Band		Household					
		Single no Dependant	Couple no Dependant	Lone parent one Dependant	Couple one Dependant	Lone parent two or more dependants	Couple two or more dependants
Band 1	£0.00-£75.00	85%	85%	85%	85%	85%	85%
Band 2	£75.01-£150.00	70%	70%	85%	85%	85%	85%
Band 3	£150.01-£225.00	50%	50%	70%	70%	85%	85%
Band 4	£225.01-£300.00	25%	25%	50%	50%	70%	70%

Band 5	£300.01- £375.00	0%	0%	25%	25%	50%	50%
Band 6	£375.01- £450.00	0%	0%	0%	0%	25%	25%

7.3 By increasing the top band to 85% means that the majority of CTR customers will be better off under this scheme.

7.4 **Reducing the capital threshold from £8,000 to £6,000.** The reason we are proposing to reduce the capital threshold to £6,000 is because under all the Government means tested welfare benefits the first £6,000 of capital is disregarded. Anything above this amount is then subject to a 'capital tariff'. By mirroring this threshold means we do not need to then apply this tariff or gather evidence of what level of capital someone has if they have a capital tariff being applied. The majority of Devon Authorities operate a £6,000 capital limit. Mid Devon and ourselves both had a limit of £8,000 when CTR was introduced in 2013. Mid Devon as part of their move to an income banded scheme are looking to reduce the limit to £6,000.

The impact of reducing the capital threshold means that 18 cases would no longer qualify for support.

7.5 **Removing the non-dependant deductions.** We have 123 cases where we make a non-dependant deduction. Under our current scheme this was very much aligned to HB rules. The Government have streamlined this for UC and it makes sense that we exclude these from the income banded scheme as this simplifies the administration process. This means for example; a son/daughter who are over the age of 18 we will not need to establish details of their income unless they are liable for Council Tax. The majority of Council's that operate an income banded scheme do not take account of non-dependants.

7.6 The proposed draft scheme will still retain the Band D restriction, Minimum Income Floor for Self Employed & the Exceptional Hardship Fund.

8.0 Scheme Impact (existing caseload)

8.1 Being an income banded discount scheme as opposed to a full penny by penny means test means there are cliff edges when it comes to qualification and levels of support. This means that there will be winners and losers. We have assessed and modelled various options to try and determine an income banded scheme that addresses the issues in this report (simplifying the scheme, cumulative impact of welfare reform, impact on collection) whilst recognising that there is a cost to the tax base (cost met by preceptors – see para 9.2).

8.2 However, because the maximum support has been increased then the majority of customers will be better off. The bands our customers will fall into is shown in the table below:

Number of Cases in each Discount Band								
Band %	Total Cases	Caseload %	Single no Dependant	Couple no dependant	Lone Parent with 1 Dependant	Couple with 1 Dependant	Lone Parent with 2 or more Dependants	Couple with 2 or more Dependants
85%	2780	85.20%	1444	235	384	79	448	190
70%	205	6.28%	77	12	28	12	55	21
50%	173	5.30%	11	7	55	9	51	40
25%	67	2.05%	9	2	3	6	17	30
0%	38	1.16%	0	2	1	2	4	29

8.3 The impact of the draft scheme is summarised as follows:

- 92% (3,015) will be better off under this scheme and only 8% will be worse off.

- 85% (2,780) will qualify for maximum support (85% of our caseload)
- The average gain for the 92% who will be better off is £131.56 per annum (£2.53 per week)
- 1,296 families will be gaining and 167 will be worse off.
- 1,390 households with disabilities will be gaining and 151 will be worse off.
- 495 earners will be gaining and 163 will be worse off
- Overall 246 customers will be worse off. Of these 99 will be losing less than £260 per annum (£5.00 per week). 29 customers will be losing less than £104 p.a. (£2 per week)
- 83 of the 246 will no longer be entitled to CTR.

8.4 A full breakdown of the impact of changing our scheme is set out in the equality impact assessment. See background links.

8.5 Although the majority of households are positively impacted from the proposed scheme there are a small number of households (some with protected characteristics) that will lose a high proportion of support. To mitigate against the small proportion of those losing, Members could either provide 'transitional protection' or build in further protections, for those with certain protected characteristics within the main scheme; for example households with disabled children.

8.6 The way we have dealt with providing 'transitional protection' has been through our Exceptional Hardship Fund (EHF). This allows us to provide additional support to those claimants who need help over and above what has already been provided for. However, alongside this the Council could provide up front protection to those existing claimants who will be worse off by:

- Ongoing 100% protection (until such time they have a relevant change in circumstances)
- Protection for a period of time, for example; 1 year's full protection
- Partial protection – for example; 50% protection for those households losing more than £260 p.a (£5.00 per week).
- Protecting certain households, for example those with children and/or where this is a disabled adult/child.

8.7 At this stage, we are proposing a draft scheme that we must consult on before adopting a new scheme. This means that there is still scope for Members to vary the percentages, income bands, build in more protections, etc as well as consider transitional protection prior to the final scheme being recommended for approval. Members will also need to take account of the outcomes following consultation. As the data is modelled based at a fixed point in time we will need to undertake further modelling to take account of changes in our existing caseload.

8.8 As the draft scheme shows that there needs to be an increase in funding we have set out in appendix one what the impact of a closer to 'cost neutral scheme' would be, i.e. based on what the scheme currently costs for working age.

9.0 Financial Implications - Impact on Tax Base

9.1 As we are proposing to increase the amount of CTR then this in turn increases the scheme costs:

Current scheme costs for working age	Draft scheme costs	Increase in scheme cost	Cost to protect those losing in full (optional)	Overall scheme costs
£2,818,899.17	£3,089,051.48	£270,152.31	£118,010.31	£388,162.61

9.2 As CTR is funded through the Council Tax Base, the costs are shared in proportion with the amount preceptors receive. The proportions are as follows:

Preceptor	%
Devon County Council	73%
Police & Crime Commissioner for Devon & Cornwall	11%
Devon & Somerset Fire & Rescue Authority	5%
East Devon District Council	7%
Town/Parish Councils	4%

9.3 This means that if we were to increase the amount of funding to CTR then it only costs East Devon 7% of that amount. This would equate to a cost of £18,910.66 and a further amount of £8,260.72 if we were to protect in full those who will lose under this draft scheme. Obviously if the Council was to increase funding this would reduce the overall tax base meaning preceptors receive less funding which could impact on their budgets. However, if we end up writing debts off then this ultimately has the same effect on budgets. It is therefore important to ensure that we provide the right level of funding upfront in order to avoid the build-up of what will be uncollectable debts.

9.4 There could well be resistance from other preceptors from increasing the funding to CTR customers because of the impact on the tax base and in turn their ability to provide essential local services to the public. Any changes to our scheme do require public consultation as well as consulting first with the major preceptors. However, what is worth noting is that there are other measures we have taken to increase the tax base that can mitigate against any increase in CTR funding. The Council agreed 12 December 2018 to increase the amount people now have to pay on long term empty properties. This policy change will bring approximately £160K to the tax base for 2020/21. Alongside this in 2018/19 we carried out a single person discount review using credit reference data which saw 566 discounts being removed, creating an annual income of £229K to the tax base. We also have the highest collection rate out of all the Devon Authorities. This clearly demonstrates how as an authority we are going over and above to protect and maximise the income to all preceptors.

10.0 Timetable for Scheme approval

10.1 Subject to Members of Cabinet approving the draft scheme we will then:

- Consult with the major preceptors
- Carry out a six week public consultation (approximately middle September to end of October)
- Following public consultation, we will consult with the Leader and Deputy Leader of the Council and the three Portfolio Holders (Finance, Sustainable Homes & Communities & Corporate Services). This will enable these Members to carry out a more detailed review in order to decide on the recommended final scheme, to be presented to Cabinet.
- Cabinet Meeting 8 January 2020
- Final scheme to be adopted by Full Council on 26 February 2020.

11.0 Financial Implications – Administrative costs/savings

11.1 The administrative savings that Authorities have identified by moving to an income banded scheme is between 2-3 full time equivalents. From our initial calculations, this seems realistic and feels achievable. However, we need to carry out a more detailed assessment. This is in line with the savings that have been identified under the transformation strategy. Alongside staff savings there will also be paper, printing and postage savings. Based on

existing UC caseload this is estimated to save approximately £2,000. However, if we don't change our scheme then our printing and postage costs will increase as claims migrate over to UC by approximately £10,000,

- 11.2 Changing schemes will also help to reduce our carbon footprint due to the reduction in paper, printing and delivery of documents.
- 11.3 There will be additional costs with implementing a new scheme – project resource, consultation, changes to software, new online form, communication material. As these are upfront costs these will be funded from reserve (£172,463) that was set aside back in 2013 from the remaining new burdens funding we received from the Government to implement local schemes.

12.0 Other options

- 12.1 We could continue with the existing scheme but this wouldn't address the issues highlighted in the report. We could consult on the scheme at appendix 1 or consider alternative options. Any alternative options would need to be modelled and assessed.

13.0 Conclusion

- 13.1 The draft scheme being proposed aims to increase financial support whilst simplifying it for customers and addressing the issues following the introduction of UC. I recognise that the welfare system can be considered a complex area because it requires an in depth knowledge of how benefit entitlement across the wide range of support available is calculated.
- 13.2 By involving these relevant Members (as outlined in the recommendation) in a more in-depth review will aim to give reassurance that the final scheme that is recommended strikes the right balance as we recognise that low income working age households have been impacted by Government cuts in welfare spending but also that any additional funding has to be met from all preceptors.

Income Banded Discount Scheme – Almost Cost neutral

To achieve an almost 'cost neutral' scheme would mean using the following discount bands - 80%, 60%, 40% & 20%. All other elements of our proposed scheme would remain the same.

Weekly Income Band		Household					
		Single no Dependant	Couple no Dependant	Lone Parent one Dependant	Couple one Dependant	Lone Parent two or more dependants	Couple two or more dependants
Band 1	£0.00-£75.00	80%	80%	80%	80%	80%	80%
Band 2	£75.01-£150.00	60%	60%	80%	80%	80%	80%
Band 3	£150.01-£225.00	40%	40%	60%	60%	80%	80%
Band 4	£225.01-£300.00	20%	20%	40%	40%	60%	60%
Band 5	£300.01-£375.00	0%	0%	20%	20%	40%	40%
Band 6	£375.01-£450.00	0%	0%	0%	0%	20%	20%

The impact of the cost neutral scheme is summarised in the table below. For ease of comparison we have included the impact of the proposed scheme.

'Cost Neutral' Scheme	Proposed Scheme
17% (566) will be better off. 9% (280) will be worse off. 74% (2417) will be unaffected by change	92% (3015) will be better off. 8% will be worse off
85% (2780) will qualify for maximum support of 80%	85% (2780) will qualify for maximum support of 85%
Average gain for the 17% who will be better off is £353.28 per annum (£6.79 per week)	Average gain for the 92% who will be better off is £131.56 per annum (£2.53 per week)
352 families will be gaining, 193 will be worse off	1296 families will be gaining, 167 will be worse off
55 households with disabilities will be gaining, 155 will be worse off	1390 households with disabilities will be gaining, 151 will be worse off
413 earners will be gaining, 190 will be worse off	495 earners will be gaining, 163 will be worse off
Overall 280 customers will be worse off. 93 of these will be losing less than £260 per annum (£5.00 per week). 28 customers will be losing less than £104 p.a (£2.00 per week)	Overall 246 customers will be worse off. Of these 99 will be losing less than £260 per annum (£5.00 per week). 29 customers will be losing less than £104 p.a. (£2 per week)
83 of the 280 will no longer be entitled to CTR	83 of the 246 will no longer entitled to CTR

As this scheme isn't quite cost neutral the impact on the tax base would be:

Cost 2019/2020	New cost based on 2019/2020	Cost of Change	Cost of full Protection	Overall Scheme Cost
£2,818,899.17	£2,872,472.67	£53,573.50	£138,523.89	£192.097.39

Cost to East Devon = 7%. £3,750.15. Cost to provide full protection = £9,696.67. Total £13,446.82