

Report to: Cabinet

Date of Meeting: 8 January 2020

Public Document: Yes

Exemption: None

Review date for release None



Subject: **Council Tax Reduction Scheme for Working Age – Income Banded Discount Scheme from 2020/21**

Purpose of report: This report is seeking Members approval on the new income banded discount scheme to be implemented from 1 April 2020 following public consultation on the draft scheme. Members of Cabinet had approved at their meeting on 4 September 2019 to consult on a new draft scheme that would see an increase in the amount of financial support available as the maximum available would rise from 80% to 85%.

Recommendation:

- 1. To consider fully the equality impact assessment in relation the scheme.**
- 2. To recommend to Council to adopt the new Council Tax Income banded discount as set out in the report under section 6 from 1 April 2020.**
- 3. To recommend to Council to adopt the Council Tax Discretionary & Exceptional Hardship Fund Policy.**

Reason for recommendation: This reports sets out the reasons why we need to change our working age scheme. The new scheme being proposed will better align with Universal Credit and simplifies the administrative process. Alongside this the new scheme being recommended increases the financial support to claimants as maximum entitlement will raise from 80% to 85%. This measure will provide direct financial support to those on the lowest incomes. The new scheme will mean that approximately 86% will be better off, 8% will be unaffected and only 6% will lose out. This proposal supports the Council's approach in helping to alleviate poverty.

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Financial implications: The financial implications are outlined in the report and have been factored into the draft 2020/21 budget.

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 of the finance team is to implement a revised scheme and they have carried out appropriate consultation, as set out in the report, and a

detailed equality impact assessment (see background links) in respect of the latest scheme. Members should consider and take into account the consultation responses and the equality impact assessment as well as officer conclusions before approving the new scheme. Further, the officers responsible for implementation are aware of the need to comply with council tax statute, regulations (and, where appropriate, guidance) in implementing the scheme.

Equalities impact:

High Impact

As this Council Tax Reduction scheme is for working age customers it only affects those that fall within this age bracket. For those of pension age the scheme is prescribed by legislation. The proposed scheme will provide more financial support and will see 94% of existing customers either benefit or be unaffected. There are 6% that will lose out under the scheme. The majority of customers that fall within the protected characteristics will benefit than lose out under the proposed changes. A full Equalities Impact Assessment is included in the background link.

Members must fully consider the equality impact when considering changes to the Council Tax Reduction scheme (including following guidance from the Havering case)

In this case Havering's Equality Impact Assessment (EIA) was challenged on the grounds of age and/or disability under Article 14 of the European Court of Human Rights and under the Equality Act although the outcome was that the EIA was not defective but highlights the requirement to ensure the process is robust.

Climate change:

Low Impact

Risk:

Low Risk

Scheme & process may be subject to legal challenge.

Software changes cannot be fully tested until end of January as this has to be done as part of year end testing. However, as other Councils who use the same software have already implemented banded schemes then this particular risk is considered low

Links to background information:

- Exceptional Hardship Fund Policy – Appendix 1 (pg. 13)
- Equality Impact Assessment [here](#)
- Consultation results [here](#)
- 4 September Cabinet report [here](#)
- Proposed recommended final scheme [here](#)

Link to Council Plan:

Developing an outstanding local economy

Continuously improving to be an outstanding council

1.0 Background

- 1.1 Council Tax Reduction (also known as Council Tax Support) was introduced from 1st April 2013. It is a means-tested reduction/discount for Council Tax payers who are on a low income.
- 1.2 For working-age applicants the scheme is determined by local policy and for pension-age applicants it is a national scheme prescribed by legislation.

- 1.3 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.
- 1.4 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)
- 1.5 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.
- 1.6 We have always recognised that we would need to change our scheme once CTR customers started to move onto UC as we would no longer be processing them as a joint claim. 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.
- 1.7 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. Three Devon authorities have delayed until 2021/22. 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.
- 1.8 A report was presented to Members of Cabinet at their meeting on 4 September 2019 where the draft scheme was approved.
- 1.9 The main drivers for changing the scheme were to:
- **Simplify the scheme for customers and making it easier to administer-** Since the roll out of Universal Credit (UC), it no longer makes sense to align our scheme with Housing Benefit. UC is highly reactive to change which is resulting in many changes to CTR entitlement. This causes confusion to the customer and makes budgeting difficult. We're also seeing reductions in Government administrative funding for Housing Benefit and CTR. Since 2015/16 funding has been reduced by 23%.

- **Addressing the financial imbalance** – Since the maximum entitlement of 80% was introduced in 2013/14 there have been national cuts in welfare spending. Benefits have in the main been frozen but yet Council Tax has risen over the same period by 23%. In real terms this means that customers are significantly worse off. The amount of Council Tax that CTR working age customers have to pay represents 1.12% of the total amount we need to collect but yet they represents 13% of our arrears.

More information about this is included in the 4th September Cabinet [report](#).

2.0 Income Banded Discount Scheme

- 2.1 An income banded discount scheme provides support based on bands of income by giving a percentage reduction off the bill. The number of discount bands, the level of discount, household types and income thresholds can be varied.
- 2.2 Applying a percentage discount mirrors the principles of other types of Council Tax discounts. For example single person discount = 25% reduction.
- 2.3 Allows for a simpler application process for the customer to work out what band they will fall into, enabling them to manage their finances and budgets better.
- 2.4 A banded discount scheme will not be as reactive to changes in income as we will only need to reassess entitlement if their income moves them up or down a band. The flipside to this is that there are 'cliff edges' meaning claimants can see much larger increases/reductions in entitlement if they change bands.

3.0 Draft Scheme

- 3.1 The draft scheme that Members approved to consult on was to have the following income bands:

	Single no Dependent	Couple no Dependent	Lone Parent one Dependent	Couple one Dependent	Lone Parent two or more Dependents	Couple two or more Dependents
Band 1 85%	£0.00 - £75.00	£0.00 - £75.00	£0.00 - £150.00	£0.00 - £150.00	£0.00 - £225.00	£0.00 - £225.00
Band 2 70%	£75.01 - £150.00	£75.01 - £150.00	£150.01 - £225.00	£150.01 - £225.00	£225.01 - £300.00	£225.01 - £300.00
Band 3 50%	£150.01 - £225.00	£150.01 - £225.00	£225.01 - £300.00	£225.01 - £300.00	£300.01 - £375.00	£300.01 - £375.00
Band 4 25%	£225.01 - £300.00	£225.01 - £300.00	£300.01 - £375.00	£300.01 - £375.00	£375.01 - £450.00	£375.01 - £450.00

- 3.2 Other main features of the draft scheme included:

- Those claiming a passported benefit, such as Income Support, Jobseekers Allowance (IB), Employment Support Allowance (IR) will automatically receive the maximum support by being placed in the top band of the scheme.
- Certain benefits will continue to be disregarded; for example; Job Seekers Allowance (Income based), Income Support, Disability Living Allowance, Personal Independence Payments, Employment Support Allowance (Income Related), Child Benefit, Child maintenance, Housing Benefit, War Pensions, etc.(within our existing scheme).

- 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).
- Disregard Carers allowance. This means we will no longer take this income into account when calculating their level of support.
- To disregard 100% of pension contributions (this is currently limited to 50%)
- No non-dependant deductions to be applied. This means that we are calculating entitlement based on the income of the claimant and partner. (In our existing scheme we currently make a deduction for any non-dependant living in the property. The level of deduction will vary depending upon the income of the non-dependant).
- Capital limit £6,000. If they have more than £6,000 in savings then they will not qualify. (Current scheme allows for up to £8,000 by reducing to £6000 brings in line with other Councils and also simplifies the administration process).
- 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 which allows us to provide additional support of up to 100% on a case by case basis. (Within our existing scheme since 2013).
- Removing the extended payment period – if a customer comes off a passported benefit and goes into work, they will no longer receive a four week run on of their CTR. This was in line with Housing Benefit rules but there is no provision of this within Universal Credit.
- Changes in circumstances that affect entitlement to be calculated on a daily basis rather than being done weekly. (This bring in line with how we calculate other Council Tax discounts whereas currently it mirrors Housing Benefit rules which are in the main applied on the following Monday).
- Extend the backdating rules to allow backdates by more than one month in line with other Council Tax discounts (limiting to one month is in line with Housing Benefit rules).

4.0 Consultation

- 4.1 We carried out an 8 week consultation from 12 September to 10 November 2019 and we received 161 responses. 57% of the responses were from customers currently in receipt of CTR. The consultation was published online and was also promoted in the following ways:
- 1250 letters were sent to customers currently on the working age CTR scheme (this included all those customers who we identified that could be negatively impacted by the draft scheme)
 - Over 1,000 flyers were included with bills and benefit letters during the consultation period
 - 2 separate press releases
 - Social media (Facebook & Twitter pages)
 - East Devon Magazine (more than 9,000 registered subscribers)
 - Wrote to key stakeholders – Citizens Advice, Homemaker South West, etc

- 4.2 The level of response was similar to what other Authorities received.
- 4.3 Our Community Engagement & Funding Officer was satisfied with the level of response considering this was on a specific topic which was both a technical and lengthy consultation.
- 4.4 The key headlines from the consultation were:
- 91% said some changes should be made to the current CTR scheme
 - 88% agreed to the introduction of an Income Banded Discount Scheme
 - 95% agreed to disregard any income from Carer's Allowance
 - 82% of respondents felt that transitional protection should be given to households who lose out from the changes where someone living in the property is claiming a disability benefit
 - 81% where someone living in the household is a carer or where a child is receiving disability benefit felt that transitional protection should be given to households who lose out from the changes.
- 4.5 There were 11 proposals that we consulted on regarding the changes being made. All of these proposals received a majority support. The level of support ranged from 66% to 95%.
- 4.6 The full results of the consultation are available [here](#).

5.0 Determining Final Scheme

- 5.1 One of the recommendations was that following public consultation the Service Lead for Revenues, Benefits & Customer Services would 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. The proposed final scheme would then be presented back to Cabinet at its meeting on 8 January 2020
- 5.2 The Service Lead and key officers (S151, Benefits Manager, Information & Data Analysis Officer) met with these Members (as outlined in para 5.1)* on 27 November to:
- review the outcomes of the consultation
 - review the latest modelling that had been undertaken as this needed to be updated to reflect current caseload and scheme costs as at November 2019 (draft scheme was based on data as at July 2019)
 - consider variations to the draft scheme and understand the impact of these on caseload (including protected characteristics) and scheme costs
 - agree the final scheme to be recommended back to Cabinet.

**Service Lead and Information & Data Analysis Officer met with Portfolio Holder for Sustainable Homes & Communities on 4 December 2019 as unable to make the 27 November meeting.*

- 5.3 This group of Members had the opportunity to review the draft scheme along with 4 different variations. The variations included changing the percentage bands and income brackets. By adjusting these we were able to explain what the impact of these would be against the different protected characteristics whilst also understanding how this altered scheme costs.
- 5.4 Members were keen to ensure that we minimised the impact of those that would be losing under the new scheme and were supportive of making the scheme slightly more favourable than the draft scheme, having considered the results from the consultation and the further modelling that had been undertaken. It was also recognised that this needed to be

balanced with the additional cost of doing this. (The draft scheme that we consulted on would see scheme costs increase by circa £270K more than our current scheme).

5.5 The consensus of these Members was to have percentages bands of:

- Band 1 - 85% (consulted on 85%)
- Band 2 - 80% (consulted on 70%)
- Band 3 - 55% (consulted on 50%)
- Band 4 - 25% (consulted on 25%)

5.6 Members recognised that 89% of the caseload fall into the top two bands. By keeping the discounts levels high it ensures that support is being targeted to those on the lowest levels of incomes. Also, having the second band at 80% protects those customers who currently get maximum support who would have fallen into Band 2.

5.7 Alongside this the income brackets have also been adjusted to take account of anticipated increases in Welfare Benefits in line with CPI (Consumer Price Index). For the last four years the Government have frozen these but from April 2020 it is expected that these will increase. This safeguards against customers dropping into a lower band because their welfare benefits have increased from the annual uprating's.

6.0 Final Scheme being recommended

6.1 The final scheme being recommended is to implement the following income bands and household types:

Weekly Income	Single no Dependent	Couple no Dependent	Lone Parent one Dependent	Couple one Dependent	Lone Parent two or more Dependents	Couple two or more dependents
Band 1 85%	£0.00 - £80.00	£0.00 - £80.00	£0.00 - £160.00	£0.00 - £160.00	£0.00 - £235.00	£0.00 - £235.00
Band 2 80%	£80.01 - £160.00	£80.01 - £160.00	£160.01 - £235.00	£160.01 - £235.00	£235.01 - £310.00	£235.01 - £310.00
Band 3 55%	£160.01 - £235.00	£160.01 - £235.00	£235.01 - £310.00	£235.01 - £310.00	£310.01 - £385.00	£310.01 - £385.00
Band 4 25%	£235.01 - £310.00	£235.01 - £310.00	£310.01 - £385.00	£310.01 - £385.00	£385.01 - £460.00	£385.01 - £460.00

Consultation results – 88% agreed with introducing the income banded discount scheme as well as increasing the maximum support from 80% to 85%

6.2. Alongside having the above income bands there were also other changes that will be incorporated into our new scheme, these are:

6.2.1 **Capital threshold of £6K** - This brings in line with other Devon Authorities who limit at £6K. This will be simpler to administer as capital above this threshold is subject to a capital tariff which means we treat an element of this as income. (£1 of income for each £250 or part of). This impacts 1% of our caseload.

Consultation results – 66% agreed with this proposal

6.2.2 **Removing non dependant deductions** – Currently we make a deduction for non-dependants living in the household. The level of deduction varies depending upon their income. 13% of our caseload has a non-dependant in the household but we only make a deduction against 3.7%. The average deduction against all non-dependant households is

£1.80 per week. This is because those claimants or partner who are in receipt of a qualifying disability benefit then we don't make a deduction. This also applies to other passported benefits. This will simplify our scheme as we will no longer need to obtain this information as it creates additional administration in establishing what their incomes are and whether this can be applied or not. We also experience customers who have non-dependants living with them who have no legal obligation to pay, often refusing to contribute which results in the claimant struggling to meet their liabilities. These are often cases that are linked to vulnerability issues which creates additional layers of complexity and administration.

Consultation results – 68% agreed with this proposal

- 6.2.3 **Stopping the extended payment provision** - if a customer comes off a passported benefit and goes into work, they will no longer receive a four week run on of their support. This was in line with Housing Benefit rules but there is no provision of this within Universal Credit. During 2018/19 this was only given in 62 cases (1.9% of caseload) so has minimal impact.

Consultation results – 66% agreed with this proposal

- 6.2.4 **One standard flat rate disregard for earned income of £25** – this proposal replaces and simplifies the previous earned income disregards. Currently there are 4 different rates depending upon household type. To continue to support work incentives we will have one flat rate of £25. This mirrors the rate for lone parents and will be more beneficial to other claimant types as well as simplifying existing rules.

Consultation results – 80% agreed with this proposal

- 6.2.5 **100% of pension contributions made from earnings will be ignored** – under our current scheme we include 50% of pension contributions as income and this proposal will mean that we will ignore 100% of contributions meaning those in work who are saving for a pension will be better off. This measure demonstrates that the Council is encouraging customers to plan for their future.

Consultation results – 89% agreed with this proposal

- 6.2.6 **Disregard income from Carer's allowance** - this means we will no longer take this income into account when calculating their level of support. Any customer who falls into this group will be better off under this proposal. We have 446 (14% of caseload) carer's in receipt of the allowance and will benefit from this proposal.

Consultation results – 95% agreed with this proposal

- 6.2.7 **Ignoring any income from the Employment and Support Allowance Support Component** – We will no longer take into account the ESA support component (worth £38.55) when calculating their level of support. ESA support component is claimed by people with more severe illness or disabilities who are assessed as having limited capability for work related activity. We currently have 560 CTR customers in receipt of the support component of ESA. This is a beneficial change for claimants.

Consultation results – 85% agreed with this proposal

- 6.2.8 **Changes in circumstances to be done on a daily basis** – this means that we apply changes in circumstances on the day they occur which is in line with other Council Tax discounts. Currently the way we process changes mirrors Housing Benefit as we apply the change from the Monday after the date of the change. This will make things more straightforward for the customer. It will also mean that customers do not gain or lose out based purely on the day of the week a change happens to occur.

Consultation results – 88% agreed with this proposal

6.2.9 Increasing backdating provision in line with other Council Tax discounts – currently we can only backdate by 1 month which is the same as Housing Benefit. This proposal means that we will be able to look at past periods for customers if they can demonstrate they would have been entitled and there was good cause for why they hadn't. This will not change any current claims but will mean that we will be able to help more customers going forward who could have qualified.

Consultation results – 78% agree with this proposal

6.3 The new scheme will still retain elements that are in our existing scheme as we have not proposed to change these, such as:

- Band D restriction
- Minimum Income Floor for Self Employed
- Those claiming a passported benefit, such as Income Support, Jobseekers Allowance (IB), Employment Support Allowance (IR) will automatically receive the maximum support by being placed in the top band of the scheme
- Certain capital continues to be disregarded
- Definitions for income, capital, qualifying benefits etc are linked to prescribed legislation, etc.
- Exceptional Hardship Fund

6.4 The full policy relating to the recommended scheme is available within the background links. We have not included it within the main body of this report due to its size.

7.0 Scheme Impact (existing caseload) on recommended scheme

7.1 As already outlined in this report, moving to an income banded discount scheme as opposed to a full pound for pound means test will create cliff edges when it comes to qualification and levels of support. This means that even with increasing the maximum support to 85% there will still be some losers. However the proposed final scheme being recommended aims to address the right balance of:

- addressing the financial imbalance caused by welfare reform together with rises in Council Tax
- impact on collection
- simplifying the scheme
- any increase in scheme costs has to be met through the tax base

7.2 The key headlines for the recommended final scheme are:

- 94% will either benefit or be unaffected
- 89% of customers will fall into the top two bands
- 93% of households with a disabled member will either benefit or be unaffected
- 92% of households with a carer will either benefit or be unaffected
- 90% of households with children will either benefit or be unaffected
- 95% of lone parents will either benefit or be unaffected
- 97% of single households will benefit or be unaffected

7.3 As can be seen from the above, within each of the protected characteristics there are more that will be positively/neutral impacted than negatively impacted. A full breakdown of the impact of our scheme is set out in the equality impact assessment at appendix 1 to this report.

7.4 Although the majority of households will either benefit or remain unaffected from the recommended scheme there are a small number of households (some with protected characteristics) that will lose out under the new recommended scheme (estimated at around 200). Details about this are contained within the equality impact assessment. It is important for Members to have due regard to this when determining whether to approve the final scheme.

7.5 When changing our scheme it is important to consider whether we should provide 'transitional protection' to those customers who will be negatively impacted. The way we have done this previously is through our Exceptional Hardship Fund. This allows us to provide additional support to those claimants who need help over and above what has already been provided for. Many Councils have an Exceptional Hardship Fund that sits alongside their CTR scheme to provide that additional safety net. Due to the relatively low numbers of customers that will be impacted negatively means that we can look at these on a case by case basis. By dealing with them in this way supports our poverty work. We know that there are customers not accessing all their entitlements and paying higher tariffs for household items than they need to. As part of the process for claiming EHF we can refer customers for independent financial advice. This means that we can provide that much wider support for customers in helping them with any budgeting, indebtedness issues that often so many have. We will proactively look to engage with customers that are negatively impacted by the proposed changes especially those that have protected characteristics.

8.0 Cost of Scheme - Impact on Tax Base

8.1 As we are recommending an increase to the amount of CTR for those of working age the total scheme costs will increase:

Current Working Age Scheme Cost	Proposed Working Age Scheme Cost	Cost to Change
£2.81 million	£3.10 million	£290k

8.2 The increase has been calculated based on current data. Rises in Council Tax or changes in caseload have not been accounted for in the above table as it's providing a direct comparison on our current scheme versus new scheme. In total we currently spend circa £7.2m on CTR across working age and pension age.

8.3 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	% Contribution	Cost
Devon County Council	73%	£212k
Police & Crime Commissioner for Devon & Cornwall	11%	£32k
Devon & Somerset Fire & Rescue Authority	5%	£14k

East Devon District Council	7%	£20k
Town/Parish Councils	4%	£12k

- 8.4 When changing our scheme, it is a requirement that we consult with the major preceptors. We only received response from two of the preceptors – Devon County Council and Devon & Cornwall Police. Their responses are summarised as follows:
- Devon County Council support the principle of a banded scheme but have raised concerns over the increase in scheme costs and that this will result in a reduction in the tax base. Council Tax is the largest source of income for the County Council and is essential to help finance the provision of services to vulnerable people in Devon. Devon County Council have asked that East Devon considers the impact on the Council Tax base when making changes to its scheme.
 - The Police have responded that the changes are reasonable and the information and impact on them was clear.
 - The Fire Authority have agreed in principle to the changes.
- 8.5 Overall, our tax base for 2020/21 has been calculated at 60,141 Band D equivalent properties which is an increase of 858 Band D properties from 2019/20 (59,283). There are many components that make up the calculation. 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 additional Council Tax revenue 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 in Council Tax revenue. It should also be noted that we have the highest Council Tax 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 Council Tax income to all preceptors.
- 8.6 It is also important to note that if we are unable to collect the Council Tax that is due and end up writing it off then this ultimately has the same effects 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. When we reviewed our existing scheme on customer's ability to pay we could see from the data that CTR working age customers represent 13% of all outstanding arrears despite the proportion of Council Tax they pay representing only 1.12%. Those claiming UC also had the highest proportion of customers in arrears (33%) compared to other claimant types. The next highest was those on Job Seekers where 23% were in arrears.

9.0 Reviewing our Scheme

- 9.1 Each year the Council must review its Council Tax Reduction Scheme. This means it can revise its scheme, replace it with another scheme or retain the current scheme. If Members do adopt the recommended scheme then as part of that process I will provide an update of what the impact has been.
- 9.2 Members will be able to assess what the impact of this scheme has and should they want to make further changes to the scheme then this is something that can be revisited. It is important to note that there is a lead time for doing this because of the requirement to consult.

10.0 Other options

- 10.1 Not to adopt the recommended scheme and retain our existing scheme for 2020/21, however this wouldn't provide the additional financial support to customers or simplify our scheme.

11.0 Council Tax Discretionary Discount and Exceptional Hardship Fund Policy

- 11.1 We have updated the above policy to make it clearer that any customer who are adversely affected by changes to our CTR scheme can apply for funding under the Exceptional Hardship Scheme.
- 11.2 The recommendation is for the new policy under appendix 1 to be adopted.

13.0 Next Steps

- 13.1 If Members approve to make changes to the scheme we will then need to:
- Implement changes to our software & test
 - Update communication material – website, letters, bills, forms, etc
 - Proactively engage with customers that will be adversely affected
 - Update procedures, deliver training to staff, etc
- 13.2 This will all need to be completed in readiness for annual billing (March 2020)
- 13.3 The funding of this work is being met from a reserve of £172,463. This was set aside back in 2013 from the remaining new burdens funding we received from the Government to implement local schemes.

12.0 Conclusion

- 11.1 The final scheme being proposed aims to increase financial support whilst simplifying it for customers and addressing the issues following the introduction of UC. This provides a positive measure the Council can take in helping low income households.

Appendix 1 – Exception Hardship Fund Policy

Council Tax Discretionary Discount & Exceptional Hardship Fund Policy

Issue details	
Title:	Council Tax Discretionary Discount and Exceptional Hardship Fund Policy
Version number	Version 2.0
Officer responsible:	Libby Jarrett, Revenues and Benefits Service Lead
Authorisation by:	Full Council
Authorisation date:	21st December 2016

1 Previous Policies/Strategies

1.1 This is an updated policy to take into account the changes proposed to the Council Tax Reduction scheme for working-age customers from April 2020 and to allow financial assistance to be given to customers who are affected by these changes.

2 Why has the council introduced this policy?

2.1 This policy sets out the criteria that needs to be met and the type of information to be provided when a Council Taxpayer applies for a reduction in their Council Tax under East Devon District Council's (EDDC) discretionary powers.

2.2 There are two ways by which EDDC can use its discretionary powers to give a reduction in Council Tax:

2.2.1 S13a1c of the Local Government Finance Act 1992 (as amended) provides the billing authority with additional discretionary powers to reduce the council tax liability where national discounts and exemptions cannot be applied:

- a.** Where a person is liable to pay council tax in respect of any chargeable dwelling and day, the billing authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit.
- b.** The power under subsection 1) above includes the power to reduce an amount to nil.
- c.** The power under subsection 1) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.

This is referred to in our policy as a Section 13a1c discretionary Council Tax reduction. This is wholly funded by EDDC, except when Central Government has used this provision to provide grant funding for specific issues, for example the winter 2013/14 flooding.

2.2.2 In addition to our Council Tax Reduction Scheme Policy (Section 13a1a of the Local Government Finance Act 1992, as amended), EDDC has an Exceptional Hardship Fund (EHF). The EHF is available to cover the shortfall between Council Tax liability and payments of Council Tax Reduction. The funding of EHF is through the collection fund and is paid for by all preceptors in proportion to their share of Council Tax

2.3 The purpose of bringing the two discretionary schemes under the one policy allows for applications to be considered under the one framework and therefore removes the requirement for the Council Taxpayer having to apply under both discretionary provisions. It also means that EDDC has one financial assessment criteria ensuring that applicants are treated fairly and consistently.

3 What is EDDC's policy?

3.1 This policy meets the corporate priorities of living in this outstanding place by looking after our residents' health and wellbeing.

It supports these priorities by delivering the following outcomes:

- A safety net to protect our most vulnerable Council Taxpayers who need additional financial assistance.
- Enables support to be given to Council Taxpayers who are in financial or other crisis where no other legislative discounts or reliefs exist.
- Helps Council Taxpayers through personal crisis, difficult events or where there are exceptional circumstances which impacts on their ability to pay.
- Prevents exceptional hardship
- Alleviates poverty
- Helps those who are trying to help themselves
- Sustains tenancies and prevention of homelessness
- Keeps families together
- Encourages and supports people to obtain and remain in employment

3.2 Officers applying this policy will consider whether all other statutory discounts or reliefs have been applied. This policy will normally only consider exceptional circumstances, due to financial need or crisis, where it is appropriate and fair to give a discretionary discount or reduction.

3.3 An application for financial hardship will only need to be made once. Where the Council Taxpayer is in receipt of Council Tax Reduction this will be dealt with under the EHF provision. The same assessment criteria used under the EHF will also be used for all non Council Tax Reduction customers who are applying for a reduction under Section 13a1c on the grounds of financial hardship.

- 3.4 When considering an application on financial grounds, the Council Tax payer will be required to provide details of household income and expenditure, savings, capital, debts, etc. The assessment we will make for determining financial hardship will take account of only reasonable priority expenditure * against income but will not take account of any non essential expenditure, as Council Tax is a priority bill. Part of the assessment may include referral to an independent money advice and budgeting advice service.

** Priority expenditure is based upon Citizens Advice guidance.*

- 3.5 Where funding has been provided by Central Government any discretionary discounts that are made will be based upon the guidance and criteria that the Government issues, subject to EDDC agreeing to adopt this.

3.6 Section 13a 1c Discretionary Council Tax reduction

- 3.6.1 Every Council Taxpayer is entitled to make an application for a discretionary Council Tax reduction. It is anticipated that a discretionary reduction will only be granted to Council Taxpayers in exceptional circumstances and will normally be for a short term period. An application for a further award can be made and there will be a review of the application and what actions have been taken since the last award.

- 3.6.2 When considering an application the following factors will be taken into account:

- There must be evidence of financial hardship or unforeseen, exceptional circumstances to justify any reduction.
- Whether changing payment methods, reprofiling Council Tax instalments or setting alternative payment arrangements in order to make them more affordable.
- An award may not be made until the Council Taxpayer has accepted assistance either through EDDC or a third party, such as; Citizens Advice or similar organisations, to enable them to manage their finances more effectively, including termination of non-essential expenditure.
- The Council Taxpayer has experienced a crisis or event that has made their property uninhabitable eg due to fire or flooding, where they remain liable to pay Council Tax and for which they have no recourse for compensation.
- The Council Taxpayer must satisfy EDDC that all reasonable steps have been taken to resolve their situation prior to an application.
- If the Council Taxpayer is on a low income, whether they have applied for a Council Tax Reduction (EDDC's scheme is called Council Tax Reduction). The Council Tax Reduction scheme exists to ensure that those on low incomes receive financial assistance with their Council Tax.
- All other eligible discounts/reliefs have been explored prior to an application being made.
- The Council Taxpayer does not have access to other funds/assets that could be used to pay Council Tax.

- All other legitimate means of resolving the situation have been investigated and exhausted by the applicant. If they have not been, it is unlikely that an award will be made.
- The payment record history of the Council Taxpayer.
- The amount outstanding must not be the result of wilful refusal to pay or culpable neglect.
- Relief will only apply to council tax payer's primary home.

3.6.3 Discretionary reductions will be withdrawn if the:

- conditions or circumstances on which the reduction was granted change or fail to materialise,
- information submitted as part of the application proves to be misleading.
- applicant ceases to be the Council Taxpayer.

3.6.4 Where the reduction is cancelled this will normally take effect from the actual date of change. However, in certain circumstances this may be withdrawn in full. A revised Council Tax bill will be issued for payment.

3.6.5 Administering the scheme

3.6.6 Discretionary Council Tax reductions must be applied for in writing from the Council Taxpayer, their advocate/appointee or a recognised third party acting on their behalf. Where the application is on the grounds of financial hardship a standard form is available which can be obtained via the telephone, in person at one of EDDC's offices or on EDDC's website.

3.6.7 The application should normally relate to the current Council Tax year, unless the Council Taxpayer has only recently received a bill following a retrospective change to a previous year.

3.6.8 It is expected that the Council Taxpayer will need to provide:

- The period and amount of reduction being sought.
- Reasons why a discretionary reduction should be given, and how this meets our policy.
- What action(s) the applicant has taken to alleviate the situation

3.6.9 EDDC may request any reasonable evidence in support of an application.

3.6.10 The Revenues and Benefits Service Lead will normally determine Discretionary Discount applications and in their absence this will be passed to the Finance Strategic Lead.

3.6.11 Successful applicants will be notified in writing of the amount and period a Discretionary Council Tax reduction has been awarded for. Any entitlement is applied to the Council Tax account and a revised bill is sent. Awards are limited to the end of the financial year in which the application is made.

3.6.12 If a reduction has been made as a result of a false or fraudulent claim EDDC reserves the right to withdraw the award. EDDC will consider prosecuting any applicant who makes a false statement or provides fraudulent evidence in support of an application.

3.6.13 Unsuccessful applicants will be notified in writing together with the reason for the decision.

3.6.14 EDDC will aim to make a decision within 14 days of receiving all the information required.

3.6.15 Applicants who are receiving a Council Tax discretionary reduction must report changes in their circumstances within 21 days of the change occurring.

3.7 Exceptional Hardship Fund (EHF) Awards

3.7.1 Every Council Taxpayer who has made a claim for Council Tax Reduction and who has a shortfall is entitled to make a claim for help from EHF. It is normally a short-term emergency fund, whilst the Council Taxpayer seeks alternative solutions.

3.7.2 The main features of the Fund are that:

- EHF awards are discretionary
- Council Taxpayers do not have a statutory right to an award
- EHF awards are not a payment of Council Tax Reduction
- Council Tax Reduction application must have been made in order to consider an award for EHF.
- EDDC may decide that a backdated EHF award is appropriate; which could then settle Council Tax arrears. This would be the only circumstance where the EHF could be used to facilitate payment of Council Tax arrears.
- EHF awards cannot be made to settle arrears of Council Tax unless due to an award of backdated EHF as set out above.

3.7.3 EHF cannot be awarded for the following circumstances:

- Where full Council Tax liability is being met by Council Tax Reduction
- For any other reason, other than to reduce Council Tax liability.
- Where EDDC considers that there are unnecessary expenses/debts etc and that the Council Taxpayer has not taken reasonable steps to reduce these.
- To reduce any Council Tax Reduction overpayment.
- To cover previous years Council Tax arrears.
- A shortfall caused by a Department for Work and Pensions sanction or a suspension has been applied because the Council Taxpayer has turned down work/interview/training opportunities.

3.7.4 It should be noted that an Exceptional Hardship Policy is intended to help in cases of **extreme** financial hardship and not support a lifestyle or lifestyle choice. Whilst the definition 'Exceptional Hardship' is not exactly defined by this policy, it is accepted that changes to the level of support generally will cause financial hardship and any payment made will be at the total discretion of the Council. Exceptional Hardship should be considered as 'hardship beyond that which would normally be suffered'

3.7.4 The Revenues and Benefits Service will determine whether or not to make an EHF award, and how much any award might be.

When making this decision the Revenues and Benefits Service will consider the following before making an award:

- The shortfall between Council Tax Reduction and Council Tax liability.
- The steps taken by the Council Taxpayer to reduce their Council Tax liability.
- Changing payment methods, reprofiling Council Tax instalments or setting alternative payment arrangements in order to make them affordable.
- Ensure that all appropriate discounts, exemptions and reductions are granted.
- Steps taken by the Council Taxpayer to establish whether they are entitled to other welfare benefits.
- Steps taken by the Council Taxpayer in considering and identifying where possible the most economical tariffs for supply of utilities.
- If a Discretionary Housing Payment has already been awarded to meet a shortfall in rent.
- The personal circumstances, age and medical circumstances (including ill health and disabilities) of the Council Taxpayer, their partner and any dependants and any other occupants of the Council Taxpayer's home.
- The difficulty experienced by the Council Taxpayer, which prohibits them from being able to meet their Council Tax liability, and the likely length of time this difficulty will exist.
- Whether the applicant has been adversely affected by changes made to the Council Tax Reduction Scheme.
- The income and expenditure of the Council Taxpayer, their partner and any dependants or other occupants of the Council Taxpayer's home.
- How deemed reasonable expenditure exceeds income.
- All income may be taken into account, including those which are disregarded when awarding Council Tax Reduction
- In the case of a self-employed applicant (or their partner), whether they are in gainful employment. This can be defined as that they are carrying on their activity as their main employment, the earnings from it are genuinely self-employed earnings, and it is organised, developed, regular and carried on in expectation of profit.
- In the case of self-employed applicants cases where the minimum income floor applies each case will be looked at individually. Factors which we will consider will include:
 - The reason the application for EHF being made, and why the customer is unable to work 35 hours per week
 - Whether the customer is vulnerable
 - Whether the customer has caring responsibilities, disabilities or other factors to consider .
- Any savings or capital that might be held by the Council Taxpayer or their partner.
- Other debts outstanding for the Council Taxpayer and their partner.
- Whether the Council Taxpayer has already accessed or is engaging for assistance with budgeting and financial/debt management advice. An EHF award may not be made until the Council Taxpayer has accepted assistance either from EDDC or third party, such as the Citizens Advice or similar organisations, to enable them to manage their finances more effectively, including the termination of non essential expenditure.
- The exceptional nature of the Council Taxpayer and/or their family's circumstances that impact on finances.
- The length of time they have lived in the property.

The list is not exhaustive and other relevant factors and special circumstances will be considered.

3.7.5 An application for a further EHF award can be made and there will be a review of the application and what actions have been taken since the last award.

3.7.6 An EHF award may be less than the difference between the Council Tax liability and the amount of Council Tax Reduction paid.

3.7.7 Administering EHF

3.7.7.1 The Council Taxpayer must make a claim for an EHF award by submitting an application to EDDC. The application form can be obtained via the telephone, in person at one of EDDC's offices and EDDC's website. Council Taxpayers can get assistance with the completion of the form from the Revenues and Benefits Service.

3.7.7.2 The application form must be fully completed and supporting information or evidence provided, as reasonably requested by EDDC.

3.7.7.3 In most cases the person who claims the EHF award will be the person entitled to Council Tax Reduction. However, a claim can be accepted from someone acting on another's behalf, such as an appointee, if it is considered reasonable.

3.7.7.4 The Revenues and Benefits Service may revise an award from the EHF where the Council Taxpayer's circumstances have changed, which either increases or reduces their Council Tax Reduction entitlement.

3.7.7.5 A person claiming an EHF Payment is required to:

- Give EDDC such information as it may require to make a decision.
- Tell EDDC of any changes in circumstances that may be relevant to their ongoing claim.
- Give EDDC such other information, as it may require, in connection with their claim.

3.7.7.6 Both the amount and the duration of the award are determined at the discretion of EDDC, and will be done so on the basis of the evidence supplied and the circumstances of the claim

- The start date will usually be the Monday after the written claim for an EHF award is received by the Revenues and Benefits Service, although in some cases it may be possible to backdate this award, based upon individual circumstances of each case.
- The EHF will normally be awarded for a minimum of one week
- The maximum length of the award will not exceed the end of the financial year in which the award is given.

3.7.7.7 Any EHF award will be made directly to the Council Tax account, thus reducing the amount of Council Tax payable.

3.7.7.8 Overpaid EHF awards will generally be recovered directly from the Council Taxpayers Council Tax account, increasing the amount of Council Tax due and payable.

3.7.7.9 EDDC will notify the outcome of each application in writing. The notification will include the reason for the decision and advise the Council Taxpayer of their appeal rights.

3.8 Publicity of discretionary reductions and discounts

3.8.1 The Revenues and Benefits Service will publicise this policy and will work with interested parties to achieve the stated outcomes. A copy of this policy will be made available for inspection and will be published on EDDC's website.

3.9 Right to appeal

3.9.1 Decisions about discretionary discounts and reductions are subject to the statutory appeal process.

3.9.2 If the Council Taxpayer is not satisfied with a decision in respect of:

- an application for a discretionary reduction
- a decision not to grant a discretionary reduction
- a decision to award a reduced amount of discretionary reduction
- a decision not to backdate a discretionary reduction

they may request a review in writing. In these cases EDDC will look at the decision again.

3.9.3 An officer, other than the original decision maker, will consider the dispute by reviewing the original application and any additional information and/or representation made and will make a decision within 14 days of referral or as soon as practicable thereafter.

3.9.4 Any request for a review must be made in writing, within two months of the date of the notification letter confirming the original decision.

3.9.5 The outcome of the review will be given in writing by the Council, detailing the reasons for changing or upholding the original decision.

3.9.6 If EDDC does not respond within two months to the Council Taxpayer's request for a review or the Council Taxpayer considers that EDDC's decision is wrong, they can appeal directly to the Valuation Tribunal

3.10 Fraud

3.10.1 EDDC is committed to protect public funds and ensure funds are awarded to the people who are rightly eligible to them.

3.10.2 An applicant who tries to fraudulently claim a discretionary discount or Exceptional Hardship Fund payment by falsely declaring their circumstances, providing a false

statement or evidence in support of their application may have committed an offence under The Fraud Act 2006 or the Theft Act 1968.

3.10.3 Where the Council suspects that fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

4 Equality impact considerations – the policy is high relevance to equality if it has a big impact on residents and users of the service

Low

4.1 This Equality Impact Assessment considers the impact of this policy on the relevant protected characteristics, as defined by the Equality Duty, which are:

- Age (including children and young people)
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage or civil partnership status (in respect of the requirement to have due regard to eliminate discrimination)
- An additional EDDC local factor of community considerations such as socio-economic factors, criminal convictions, rural living or Human Rights

4.2 This policy has a positive or neutral impact on all protected characteristics.

4.3 The protected characteristics which are positively impacted are age, disability and EDDC local factors. This is because the policy, when considering EHF awards, considers household composition and disability related expenditure when looking at expenditure calculations.

4.4 The positive impact on local factors is high as the EH awards support vulnerable Council Taxpayers who may not otherwise be able to pay their Council Tax. Also the discretionary discounts help to support local areas which may be affected by natural disasters which affect the households.

5 Appendices and other relevant information

None

6 Who authorised the policy/strategy and date of authorisation.

Full Council –

7 Related Policies/Strategies, Procedures and Legislation

7.1 Related policies

Corporate debt policy

Discretionary Housing Payments policy

Council Tax Reduction Scheme Policy

Non Domestic Rates local discretionary rate relief policy

7.2 Legislation

Local Government Finance Act 1992, as amended

8 Policy date for review and responsible officer

- 8.1 This policy will be reviewed by the Revenues and Benefits Service Lead periodically but no later than 2023.