

Report to: Cabinet



Date of Meeting 25 November 2020

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## Council Tax Reduction Scheme for 2021/22

### Report summary:

To consider and approve the Council Tax Reduction (CTR) Scheme for 2021/22 which we are proposing remains unchanged from our current scheme.

We introduced a significant number of changes to our 2020/21 scheme – such as increasing maximum support from 80% to 85% - whilst implementing an income banded discount scheme. It is too early to determine whether we need to make further changes to our scheme as this has only been running for 7 months. Also, with the impact of Covid-19 this makes comparisons between our previous scheme and this scheme difficult to properly assess due to the significant increase in people now claiming Council Tax Reduction.

As our new scheme increased the maximum amount of support from 80% to 85% this will have had a positive effect on low income working age households.

The report also provides some background data (appendix 1) on how Covid-19 has changed the scheme caseload profile.

### Recommendation:

1. To recommend to Council that the Council Tax Reduction Scheme for working age residents is approved for 2021/22 (unchanged from 2020/21).
2. To note the changes to our caseload profile due to the impact of Covid19 (see appendix 1)

### Reason for recommendation:

Each year the Council is required by law to decide whether to revise or replace its scheme. As we made a significant number of changes to our scheme for 2020/21 it is too early to be able to assess whether we need to make any subsequent changes to our scheme. Also the impact of COVID-19 has meant that we now have a much higher number of working age households so making comparisons between our existing scheme and current scheme will be difficult to assess. However, as maximum support was increased from 80% to 85% then this has meant that those households on the lowest incomes will have benefitted.

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Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery

- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

### **Financial implications:**

The increase in scheme costs will impact on the current years Council Tax income projections and effect next year's Council Tax Base calculations - these implications are being factored into our calculations and reports to members.

### **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. Due to the short time the previous changes have been in effect and the impact of COVID-19, the recommendation of the finance team is to leave the scheme as adopted for 2020/21. Officers responsible for implementation are aware of the need to comply with council tax statute, regulations (and, where appropriate, guidance) in delivering the scheme.

### **Equalities impact** Low Impact

As we are not recommending any changes to our scheme for 2020/21 the impact has been considered low.

### **Climate change** Low Impact

**Risk:** Low Risk;

### **Links to background information**

[Cabinet agenda 8 January 2020](#)

[Report from StepChange Debt Charity](#)

### **Link to [Council Plan](#):**

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

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## **1.0 Background**

- 1.1 Council Tax Reduction (CTR), also known as Council Tax Support was introduced from 1 April 2013. It is a means tested reduction/ discount for council tax payers who are on a low income. It replaced the previous national benefit scheme.
- 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 Each year the Council is required to review and agree its working age scheme by 11 March of the preceding financial year. Any changes to our scheme are subject to public consultation.

1.4 As we introduced a significant number of changes to our scheme for April 2020 we are not proposing any changes to be made to our 2021/22 scheme. This is because it is too early to determine whether further changes are needed as the scheme has only been live for just over 7 months. The impact of COVID-19 has also resulted in higher caseload and scheme costs. These may only be temporary and could fall once residents start to return to work and begin receiving the income they had pre Covid-19.

## 2.0 Current Scheme

2.1 Our working age scheme is now based on four income bands – 85%, 80%, 55% & 25%. Previously the maximum support available was 80%. When modelling this scheme it was estimated that 94% of the existing caseload would either benefit or be unaffected by the changes that were introduced from 1 April 2020. This meant that many more low income households have benefitted as they are receiving more help towards their council tax than under the previous scheme. With the impact of Covid-19 we have seen many more working age households now claiming and receiving council tax reduction, this will have made a positive difference to those on low incomes. However, it is too early to measure whether this will result in lower levels of cumulative arrears from those claiming CTR as this was one of the factors on why support was increased (CTR working age debts accounted for 13% of all council tax arrears despite the amount they have to pay only representing 1.12% of the total collectable debit). Also, with the impact of Covid-19 it is unlikely that we will see a positive effect on council tax arrears as many more households will now be struggling. As highlighted in a recent report from StepChange household borrowing and arrears attributable to Covid-19 have reached a combined £10.3bn an increase of £4.3bn since May 2020.

2.2 As part of our working age scheme we also have an exceptional hardship fund that allows us to provide additional support of up to 100% on a case by case basis. This provides a safety net for those that need additional financial help or where we need to provide transitional support following adverse changes to resident's circumstances.

2.3 One of the temporary measures the government introduced as a result of Covid-19 was to increase the standard allowance in Universal Credit and the basic element in Working Tax Credit by £20 per week **for one year only**. The government provided for these changes in Housing Benefit regulations and the pensioner CTR prescribed scheme, in order to avoid the negative effect by disregarding this additional income. However, we are not legally able to change our working age scheme mid-year and any changes that we do make have to be subject to public consultation. In order to mitigate against instances of customers dropping a band because of this additional payment we were able to deal with this via our Exceptional Hardship scheme by effectively disregarding this £20.00. Should the government extend this provision on a permanent basis then it would make sense to change our scheme so that we can automatically disregard this additional allowance. If needed, for this coming financial year we can continue to deal with this via the exceptional hardship element of our CTR scheme and then implement the change for the financial year 2022/23. Our Exceptional Hardship Scheme allows for this type of situation and the cost of this forms part of our CTR expenditure.

## 3.0 Scheme costs and caseload

3.1 The following table provides a breakdown of the number of claimants split between working age and pensioners and how the caseload has changed since November 2019:

Caseload	As at November 2019	As at April 2020	As at November 2020	Difference between Nov 19 & Nov 20 (% rise)
Working age	3,231	3,387	4,189	958 (29.65%)
Pension age	3,869	3,839	3,778	-91 (-2.35%)

<b>Total</b>	<b>7,100</b>	<b>7,226</b>	<b>7,967</b>	<b>867 (12.21%)</b>
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The above table highlights the changes in caseload from the position a year ago, April 2020 compared to now. Clearly Covid-19 has had a significant impact on our working age household incomes due to the increase in caseload. Further information on the profile of our caseload and how this has changed is shown in appendix 1 at the end of this report.

3.2 The expenditure split as at November 2020 is as follows:

Claim type	Expenditure costs (£000's)
Working age	£3,976
Pension age	£4,515
<b>Total</b>	<b>£8,491</b>

The cost of CTR in November 2019 was circa £7.2m. Although we were anticipating scheme costs would rise by approximately £300K due to the changes we were implementing (see last year's Cabinet report) and also allowing for the annual council tax increase of 4% which equates to a further £300K, the difference of approximately £700K would be as a result of the increase in caseload due to impact of Covid-19.

3.3 As the cost of CTR is funded through the Council Tax base, the costs are shared in proportion with the amount preceptors receive. For East Devon the cost of CTR expenditure equates to 7% of the total.

3.4 When determining the 2021/22 tax base we will need to take account of these higher costs and also to estimate further increases in scheme costs due to potentially higher levels of unemployment, etc.

#### 4.0 Summary

4.1 At this stage it is too early to determine whether further changes are needed to our scheme which is why the recommendation is to continue with our existing scheme. We may need to make changes to our scheme for 2022/23 should the government extend and make permanent the additional £20 per week payment for those on Universal Credit or Working tax credit. It is important that we continue to monitor the relationship between council tax arrears and those claiming CTR to understand whether our scheme is achieving the right balance especially as we are all acutely aware of the financial difficulties currently being experienced due to the impact Covid-19 has had.

4.2 The data shown in appendix 1 will help to inform the work of the poverty panel.

**Additional information highlighting the changes in caseload due to the impact of Covid-19:**

1 Working age caseload split by the four income bands comparing November 2019 to November 2020:

Band %	Caseload November 2019 (modelled into the income bands)	Caseload November 2020	Difference	% increase
85%	2,323	2,387	64	2.7%
80%	587	885	298	50.7%
55%	247	647	400	161.9%
25%	74	270	196	264.9%
<b>Total</b>	<b>3,231</b>	<b>4,189</b>	<b>958</b>	<b>29.7%</b>

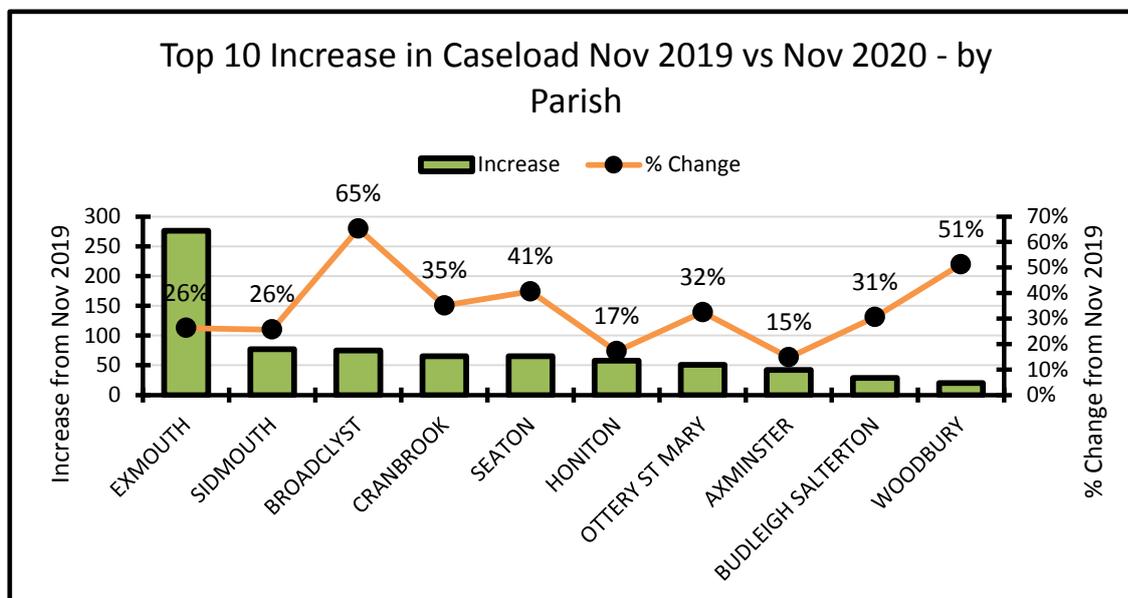
The working age caseload since November 2019 has risen by 958 more claims with the largest increase being seen on the lowest two bands. This is likely to be because of those households being furloughed, drop in self-employed earnings, etc which has brought more people onto CTR.

2 The following table shows how the caseload has changed across 4 different groups:

	Households with Children			Disability Benefit			Employed			Carer		
	Nov-19	Nov-20	% Diff	Nov-19	Nov-20	% Diff	Nov-19	Nov-20	% Diff	Nov-19	Nov-20	% Diff
Band 1 85%	815	935	+14.7%	1270	1428	+12.4%	134	172	+28.4%	378	359	-5.0%
Band 2 80%	308	393	+27.6%	50	191	+282.0%	302	402	+33.1%	27	36	+33.3%
Band 3 55%	187	410	+119.3%	53	194	+266.0%	166	453	+172.9%	21	20	-4.8%
Band 4 25%	60	191	+218.3%	29	66	+127.6%	48	242	+404.2%	9	11	+22.2%
<b>TOTAL</b>	<b>1370</b>	<b>1929</b>	<b>+40.8%</b>	<b>1402</b>	<b>1879</b>	<b>+34.0%</b>	<b>650</b>	<b>1269</b>	<b>+95.2%</b>	<b>435</b>	<b>426</b>	<b>-2.1%</b>

*Note: households can fall into more than one of the above categories*

3 Increase in caseload by parish- top 10



Parish	2019	2020	Increase	% Change
EXMOUTH	1050	1326	276	26%
SIDMOUTH	300	377	77	26%
BROADCLYST	115	190	75	65%
CRANBROOK	185	250	65	35%
SEATON	160	225	65	41%
HONITON	339	397	58	17%
OTTERY ST MARY	157	208	51	32%
AXMINSTER	285	327	42	15%
BUDLEIGH SALTERTON	95	124	29	31%
WOODBURY	39	59	20	51%

#### 4 Key headlines:

- There has been a big increase in our caseload from those that are earning and in particular those whose income places them in the bottom two bands. This is likely to be because of people's income being impacted through being furloughed, working less hours, self-employed earnings reduced, etc. This highlights how many more people have needed to access support for the first time as their earnings have dropped to a level that means they now qualify for help with council tax.
- 31% of our working age caseload are from those that have earnings compared to 22% in November 2019.
- We are also seeing much higher numbers of claims coming from households with families and those where a member of the household is disabled.
- 1,950 are on Universal Credit compared to 874 in November 2019.
- Exmouth, Sidmouth & Broadclyst have seen the highest increase in caseload. Broadclyst also has the highest % change.