

Report to: Cabinet



Date of Meeting 1 December 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

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## Council Tax Reduction Scheme 2022/23

### Report summary:

To consider and approve the Council Tax Reduction (CTR) scheme for 2022/23 which we are recommending remains unchanged from our current scheme.

The CTR scheme for 2020/21 saw a number of significant changes made – such as increasing maximum support from 80% to 85% - whilst also implementing an income banded scheme. Although the scheme has now been running for approximately 19 months we are not proposing to make any changes for this coming financial year. Over the course of the pandemic we saw an increase in our working age CTR caseload from 3387 in April 2020 to 4733 in October 2021. This is likely as a result of people losing household income from earnings through furlough, reduced hours in employment or loss of employment.

The report also includes background data (appendix 1) on how Covid-19 has impacted our caseload by parish

### Is the proposed decision in accordance with:

Budget Yes  No

Policy Framework Yes  No

### Recommendation:

To recommend to Council that the Council Tax Reduction Scheme for working age residents is approved for 2022/23.

### Reason for recommendation:

The Council is required by law to decide whether to revise or replace its CTR scheme each year. As we made a significant number of changes to our scheme for 2020/21 we did not make any changes to the scheme for 2021/22. It is still not possible to be able to fully assess what further changes may be required to our scheme due to the on-going effects of the Covid-19 pandemic. We still have a higher number of working age households in receipt of CTR than we would have had prior to the pandemic, so are unable to complete a detailed comparison analysis of our current scheme against our previous scheme. Our maximum support from 80% to 85% will still be benefiting those on the lowest income.

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

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Portfolio(s) (check which apply):

Climate Action and Emergency Response

Coast, Country and Environment

- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information** [East Devon S13A 202122 Scheme Final.2](#)

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

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

## Report in full

### 1. Background

- 1.1 Council Tax Reduction (CTR) 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 Council Tax 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 subject to prescribed legislation.
- 1.3 Each year the Council is required to review and agree the working age scheme by 11 March of the preceding financial year. Any changes to our scheme are subject to public consultation.
- 1.4 We are not proposing any changes be made to our scheme for 2022/23. This is because we are still dealing with the effects of Covid-19 and therefore it is still too early to determine whether further changes to our scheme are needed. Our caseload is still higher than pre pandemic levels and is likely to fall as residents start to return to work and return to more normal income levels.
- 1.5 Significant changes to our working age scheme were introduced from 2020/21 where we not only increased support from 80% to 85% but also moved to an income banded scheme in order to simplify the previous scheme and to better align with Universal Credit. In order to make changes to the scheme you need to go out to public consultation on your proposed draft scheme as well as fully understand the equalities impact on people with protected characteristics as well as implementing changes to software, online forms, etc. Therefore, sufficient lead time and resource commitment is needed in order to carry out this work.

### 2. Current Scheme (including caseload)

- 2.1 Our current scheme is based on four income bands – 85%, 80%, 55% and 25%. When modelling this scheme in 2019 it was estimated that 94% of our previous caseload would either benefit or be unaffected by the changes that were introduced from 01 April 2020.

2.2 The following table provides a breakdown of the number of claimants split between working age and pensioners and how the caseload has changed since April 2020:

Caseload	As at April 2020	As at November 2020	As at April 2021	As at October 2021	Difference between Apr 20 & Oct 21 (% rise)
Working age	3,387	4,189	4,920	4,733	1346 (39.71%)
Pension age	3,839	3,778	3,775	3,686	-153 (-3.96%)
<b>Total</b>	<b>7,226</b>	<b>7,967</b>	<b>8,695</b>	<b>8,419</b>	<b>1193 (16.51%)</b>

- Our working age caseload has seen an increase of 39.71% since April 2020, confirming Covid-19 has had a significant impact on working age households.
- A small reduction in working age caseload figures has been seen since April 2021. At present it is still too early to confirm if this downward trend will continue as the furlough scheme only ended on 30 September 2021 with the £20 Universal Credit uplift ending on 06 October 2021. These changes could result in further working age households losing income from employment and a further increase in CTR claims.

2.3 The following table provides the caseload broken down by the four discount bands:

Band	October 2019	October 2020	October 2021	2019 to 2020	% Change	2020 to 2021	% Change
<b>85%</b>	2,323	2,387	2,032	+64	+2.7%	-355	-14.9%
<b>80%</b>	587	885	1,327	+298	+50.7%	+442	+49.9%
<b>55%</b>	247	647	993	+400	+161.9%	+346	+53.6%
<b>25%</b>	74	270	381	+196	+264.9%	+111	+41.5%
<b>Total</b>	<b>3,231</b>	<b>4,189</b>	<b>4,733</b>	<b>+958</b>	<b>+29.7%</b>	<b>+544</b>	<b>+13.0%</b>

- The highest increase in caseload was between October 19 and October 20, and likely to be due to the start of the Covid-19 pandemic.
- Alongside the increase in caseload we are also seeing a greater proportion of working age households falling into income bands 2 and 3.
- We have seen a reduction in those falling into income band 1 which is likely due to the amount of people who lost income during the pandemic now seeing recovery and returning to employment or in receipt of higher earnings.
- Income band 2 has seen the highest increase in households closely followed by income band 3, which strongly supports that those households in work have been particularly affected by Covid-19 e.g. furlough, loss of employment, reduced pay etc.

2.4 Working Age caseload on Universal Credit comparing October 2020 to October 2021:

	October 2020	Proportion of WA Caseload (2020)	October 2021	Proportion of WA Caseload (2021)
Universal Credit Claimants on CTR (WA)	1864	44%	2751	58%

- There has been a 14% increase in the amount of working age households receiving Universal Credit from 1865 in October 2020 to 2751 in October 2021.

2.5 The following table shows how the caseload has changed across four different characteristics:

Band	Households with Children			Disability Benefit			Employed			Carer		
	Oct-20	Oct-21	% Diff	Oct-20	Oct-21	% Diff	Oct-20	Oct-21	% Diff	Oct-20	Oct-21	% Diff
<b>Band 1 85%</b>	935	816	-13%	1428	1252	-12%	172	77	-55%	359	280	-22%
<b>Band 2 80%</b>	393	623	59%	191	272	42%	402	559	39%	36	62	72%
<b>Band 3 55%</b>	410	611	49%	194	271	40%	453	638	41%	20	60	200%
<b>Band 4 25%</b>	191	253	32%	66	73	11%	242	343	42%	11	31	182%
<b>Total</b>	<b>1929</b>	<b>2303</b>	<b>19%</b>	<b>1879</b>	<b>1868</b>	<b>-1%</b>	<b>1269</b>	<b>1617</b>	<b>27%</b>	<b>426</b>	<b>433</b>	<b>2%</b>

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

- Households with children have not increased significantly however the income bands they are in have moved, with a 13% decrease of those dropping out of income band 1. This suggests that households with children are now better off financially as they have a higher income, however this is an area that we will be considering further to understand if there is a need for band changes in 2023/24.
- Although not illustrated in the above table it is worth highlighting that there has been a 34% increase in the number of single residents becoming entitled to CTR over the last 12 months. In October 2020 there were 890 single households in receipt of CTR compared to 1200 in October 2021.

2.6 Appendix 1 provides data by parish on those parishes that have seen the biggest increase in claims

2.7 Our working age scheme includes an exceptional hardship fund (EHF) for help with Council Tax 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 a resident's circumstances. To date, we have awarded £43,651 under this fund which is included in the costs under table 3.1

### 3.0 Current scheme costs

3.1 The expenditure split as at October 2021 is as follows:

Claim type	Expenditure costs
Working age	£4,625,587
Pension age	£4,650,599
<b>Total</b>	<b>£9,276,186</b>

3.2 The cost of CTR for 2020/21 was £8,943,434. Costs for the financial year as at October 21 is just under £9.3 million and this is likely to still rise. The extra £332,752 cost is predominately linked to the annual council tax rise. Costs of the scheme for 2022/23 will largely depend on the local economic recovery, working age households returning to work and more normal levels of earnings and of course the annual rise in council tax.

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.

#### 4.0 Arrears

4.1 As part of our on-going CTR scheme and financial resilience work we are now starting to closely monitor arrears of our CTR caseload.

4.2 There are currently 782 households receiving CTR that are in arrears with their Council Tax which equates to 9.3% of our total working age CTR caseload. In comparison to July 2019 this was 712 households but represented 22% of our caseload. Although there has been an increase in the number of households in arrears (was 712 now 782) of 9.8% when comparing this with the increase in caseload of 39.7% it highlights that this has not increased in proportion to the rise in caseload. This may indicate that our scheme which now provides for up to 85% support together with the additional financial support provided during Covid (£150 extra given to all CTR working age households) may have helped to limit the number of households falling into arrears.

4.3 Cases in arrears split between working age and pension age:

Outstanding Balance on CTax Account	Overall		Working Age		Pension Age	
	Cases	%	Cases	%	Cases	%
£0.00-£1,000	653	7.8%	612	12.9%	41	1.1%
£1,000-£2,000	80	1.0%	78	1.6%	2	0.1%
£2,000-£3,000	27	0.3%	26	0.5%	1	0.0%
£3,000-£4,000	13	0.2%	11	0.2%	2	0.1%
£4,000 +	9	0.1%	8	0.2%	1	0.0%
<b>Total</b>	<b>782</b>	<b>9.3%</b>	<b>735</b>	<b>15.5%</b>	<b>47</b>	<b>1.3%</b>

- The vast majority of CTR claimants who are in arrears are working age households.

4.4 Working Age arrears by discount band and household type:

	Overall Working Age			With Disability			With Children			In Employment		
	Cases	in Arrears	%	Cases	In Arrears	%	Cases	In Arrears	%	Cases	In Arrears	%
Band 1 85%	2,032	238	12%	1252	107	9%	816	139	17%	77	15	19%
Band 2 80%	1,327	260	20%	272	48	18%	623	129	21%	559	99	18%
Band 3 55%	993	177	18%	271	50	18%	611	108	18%	638	96	15%
Band 4 25%	381	60	16%	73	15	21%	253	37	15%	343	53	15%
<b>Total</b>	<b>4,733</b>	<b>735</b>	<b>16%</b>	<b>1868</b>	<b>220</b>	<b>12%</b>	<b>2303</b>	<b>413</b>	<b>18%</b>	<b>1617</b>	<b>263</b>	<b>16%</b>

Note: a household can fall into more than one category

- The highest percentage of those with arrears fall within income bands 2 and 3. Income band 1 has the lowest percentage of arrears.

4.5 Level of Arrears by Household Type:

	Working Age			
	Overall	In employment	With Children	With Disability

Outstanding Balance on CTax Account	In arrears	In arrears	% of Arrears	In arrears	% of Arrears	In Arrears	% of Arrears
£0.00-£500	486	171	35%	275	57%	172	35%
£500-£1,000	126	41	33%	74	59%	30	24%
£1,000-£2,000	78	33	42%	45	58%	15	19%
£2,000-£3,000	26	12	46%	14	54%	2	8%
£3,000-£4,000	11	4	36%	2	18%	1	9%
£4,000 +	8	2	25%	3	38%	0	0%
Total	735	263	36%	413	56%	220	30%

Note: a household can fall into more than one category

- Of the 735 working age households, 413 or 56% are households with children resident.
- 263 or 36% of working age households with arrears are in employment with 220 or 30% having someone with a disability benefit in payment resident in the household.
- The highest percentage of those with arrears owe £1,000 or less.

## 5.0 Summary

5.1 Covid-19 has resulted in households being affected by income losses that would not normally be felt by working age households and this has increased our working age caseload. Data strongly suggests that those in employment have been significantly impacted by Covid-19 and are still negatively financially affected.

5.2 Now we are starting to identify rural areas (see appendix 1) with higher proportions of residents receiving CTR we will look at these in conjunction with other financial resilience data to consider whether there is a need to do some targeted support in these areas.

5.3 Further monitoring of our arrears cases will be carried out to see whether this position will improve. Alongside this we will continue to do more in-depth work to look at what proportion of these cases are in arrangement or can be supported (if not already) by the work of our Financial Resilience officers which will also consider if appropriate the use of our discretionary funds.

5.4 As we have only been running the scheme for 19 months it is too early to determine whether changes are needed.

5.5 A full review will be carried out in Spring/Summer 2022 once we have another complete year of data to better understand movement in caseload and arrears levels as there are recent external factors (rising fuel costs, removal of the additional £20 Universal Credit payment, ending of the furlough scheme, etc, where the impact of these are not yet known. With a buoyant employment economy with many more higher skilled jobs being available this may help to mitigate some of this which is why it is important that we do a review next year and will present our findings to the Poverty panel.

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### Financial implications:

The financial details are covered in the report.

### Legal implications:

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 leave the scheme as adopted for 2021/22 given that it has still not been possible to assess the impact of the previous changes made in 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.

## 1.0 Caseload by parish – top 10

### 1.1 Changes in caseload for parishes comparing October 2020 to October 2021

Parish	Oct-20	Oct-21	Difference	% Difference
<b>EXMOUTH</b>	2424	2555	131	5%
<b>BROADCLYST</b>	266	327	61	23%
<b>HONITON</b>	772	829	57	7%
<b>CRANBROOK</b>	258	314	56	22%
<b>AXMINSTER</b>	559	608	49	9%
<b>OTTERY ST MARY</b>	370	415	45	12%
<b>SIDMOUTH</b>	755	790	35	5%
<b>SEATON</b>	540	566	26	5%
<b>DUNKESWELL</b>	129	141	12	9%
<b>OTTERTON</b>	25	36	11	44%

### 1.2 Top 10 parishes by Council Tax payers receiving CTR

Parish	CTR Cases	CTAX Banded Properties	% of Banded Props in receipt of CTR
<b>DUNKESWELL</b>	141	871	16%
<b>AXMINSTER</b>	608	3930	15%
<b>EXMOUTH</b>	2555	17204	15%
<b>HONITON</b>	829	5595	15%
<b>SEATON</b>	566	4333	13%
<b>CLYST HONITON</b>	19	148	13%
<b>BROADCLYST</b>	327	2584	13%
<b>BRAMPFORD SPEKE</b>	18	150	12%
<b>CRANBROOK</b>	314	2646	12%
<b>OTTERY ST MARY</b>	415	3514	12%

- Exmouth and Broadclyst still continue to see the highest increase in claims, however Sidmouth is no longer one of the areas seeing the highest increases as was the case in 2020.
- The highest percentage change of increase in CTR claims was in Otterton, followed by Broadclyst and Cranbrook.
- Dunkeswell has the highest proportion of residents receiving CTR based on the number of properties charged council tax.

### 1.3 Top 10 Parishes by proportion of properties in arrears:

Parish	CTAX Banded Properties	Ctax Payers in Arrears	% of Parish
<b>HAWKCHURCH</b>	287	30	10%
<b>AXMINSTER</b>	3930	274	7%
<b>CRANBROOK</b>	2646	162	6%
<b>HONITON</b>	5595	307	5%

EXMOUTH	17204	918	5%
COMBE RALEIGH	97	5	5%
CLYST HONITON	148	7	5%
DUNKESWELL	871	40	5%
AYLESBEARE	267	12	4%
BROADCLYST	2584	116	4%