

Report to: Cabinet



Date of Meeting 2 November 2022

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## Council Tax Reduction Scheme 2023/24

### Report summary:

This report is seeking your approval to carry out consultation on proposed changes to our Council Tax Reduction Scheme for working age. The reasons why we are proposing changes are set out in this report and will lead to a number of our low income households in receipt of council tax reduction seeing increases in the amount of relief that will lift them out of paying Council Tax altogether. Following consultation we will present a report to Cabinet with the recommended final scheme to be adopted by Council. This work supports the Council's poverty strategy as by reducing the council tax burden for those on the lowest incomes it will help to build financial resilience a key aim of our poverty strategy.

### Is the proposed decision in accordance with:

Budget Yes  No

Policy Framework Yes  No

### Recommendation:

1. That Cabinet agrees to the proposed draft scheme and carry out public consultation on it.
2. Following public consultation, any changes to our scheme will be presented to Cabinet at its meeting on 4 January 2023 with a view to obtaining a recommendation to Council.

### Reason for recommendation:

Each financial year the Council is required by law to decide, whether to revise its scheme or to replace it with another scheme. We made significant changes to our scheme for 2020/21 where we moved to an income banded scheme and also increased maximum support from 80% to 85%. For the past two financial years we have not made changes to our scheme due to the impact of Covid and not being able to properly assess how the changes made had affected residents' finances. We committed to undertake a full review during this year so that we would have time to consult on any proposed changes before proposing the 2023/24 scheme to Members. As we have identified some changes to our scheme we need to agree the draft scheme in order to consult on it.

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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

At this stage we are only looking to consult on proposed changes to our scheme for 2023/24. The changes will be advantageous for those on low incomes and/ or with protected characteristics. Members will then have the opportunity to consider the outcome of the consultation together with consideration of the equality impact assessment before agreeing the final scheme which we aim to present to Cabinet on 4 January 2023 which will then need to be adopted by Full Council.

### **Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information** [Agenda for Cabinet 8 January 2020](#)

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

Priorities (check which apply)

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

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## **1.0 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 low incomes. 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 consultation.
- 1.4 We have not made any changes to our scheme for the past two years. Significant changes to our working age scheme were introduced from 2020/21 where the Council increased maximum 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. The reasons why we moved to a banded scheme and increased support can be found in the Cabinet report to Members at their [meeting on 8 January 2020](#).
- 1.5 We committed to carry out a full review of our CTR working age scheme this year (Service plan objective and action within the Poverty plan) in order to be able to properly assess the impact of our current scheme on low income households, whether we are striking the right balance in the percentage of council tax support being provided across the four income bands, the actual income band levels for the different household groups and the affordability of the council tax by assessing arrears levels. As part of this review we can draw on data from our Social Resilience (Poverty) Dashboard where we can identify whether there are any demographic groups, especially those with protected characteristics who are presenting to us for financial help through our emergency discretionary funds.

1.6 As part of this review we have also considered what changes other authorities are planning to make to their schemes in order to ensure that our scheme doesn't disadvantage low income residents living in East Devon because others in neighbouring authorities are providing more generous levels of support than we are. Up until now Teignbridge was the only Devon authority providing 100% support for those in Band 1 with their other bands set at 75%, 50% & 25%. The rest of Devon was either providing similar levels of support to ourselves or less. Appendix 1 shows what the current position is across Devon and if Councils are proposing to make changes to their schemes for 2023/24 including whether they are planning to increase support.

## 2.0 Caseload (including scheme costs)

2.1 The make-up of our caseload is as follows:

Caseload	April 2020	November 2020	April 2021	October 2021	April 2022	July 2022
Working Age	3,387	4,189	4,920	4,733	4,613	4,566
Pension Age	3,389	3,778	3,775	3,686	3,658	3,637
Total	6,776	7,967	8,695	8,419	8,271	8,203

- Overall seen a 21% increase in our caseload from April 2020 compared to July 2022.
- Our working age caseload has seen the biggest rise of 35% from April 2020 to July 2022.

2.2 Current CTR costs split between working age and pension age:

As at July 2022	£
Working age	4,532,303.16
Pension age	4,664,644.92
Total	9,196,948.08

- Even though we have nearly 1,000 less pension age claims the scheme costs are still higher for pension age because this is a prescribed scheme which provides for 100% support whereas for working age our local scheme is capped at 85% (pre 2020 was capped at 80%).

2.3 Our working age scheme has four income bands – 85%, 80%, 55% and 25% and entitlement is based on different levels of income to reflect household make up:

	Passported	Single no children	Couple no children	1 child	2 child +
Group 1 - 85%	No limit	£0.00 -£80.00	£0.00 -£80.00	£0.00-£160.00	£0.00 - £235.00
Group 2 - 80%	N/A	£80.01-£160.00	£80.01 - £160.00	£160.01-£235.00	£235.01 - £310.00
Group 3 - 55%	N/A	£160.01-£235.00	£160.01-£235.00	£235.01-£310.00	£310.01 - £385.00
Group 4 - 25%	N/A	£235.01 - £+310	£235.01-£310.00	£310.01-£385.00	£385.01 - £460.00

2.4 The following table provides the caseload distribution by the four discount bands:

	Passported	Single No Children	Couple No Children	1 Child	2 Child +	Totals
<b>Group 1 – 85%</b>	1250	370	18	173	324	<b>2135</b>
<b>Group 2 – 80%</b>	N/A	546	60	266	294	<b>1166</b>
<b>Group 3 – 55%</b>	N/A	159	63	307	329	<b>858</b>
<b>Group 4 – 25%</b>	N/A	90	18	127	172	<b>407</b>
<b>Totals</b>	<b>1250</b>	<b>1165</b>	<b>159</b>	<b>873</b>	<b>1119</b>	<b>4566</b>

2.5 Table showing caseload breakdown by different categories comparing October 21 to July 2022:

Band	Households with Children			Disability Benefit			Employed			Carer		
	Oct -21	Jul- 22	% Diff	Oct- 21	Jul- 22	% Diff	Oct- 21	Jul- 22	% Diff	Oct -21	Jul- 22	% Diff
<b>Band 1 85%</b>	816	783	-4.0%	1252	809	-35.4%	77	127	+64%	280	374	33.6%
<b>Band 2 80%</b>	623	560	-10.0%	272	614	125.7%	559	503	-10.0%	62	117	88.7%
<b>Band 3 55%</b>	611	634	3.8%	271	228	-15.9%	638	697	+9.2%	60	110	83.3%
<b>Band 4 25%</b>	253	299	18.1%	73	112	53.4%	343	358	+4.3	31	45	45.2%
<b>Total</b>	<b>2303</b>	<b>2276</b>	<b>-1.1%</b>	<b>1868</b>	<b>1763</b>	<b>-5.6%</b>	<b>1617</b>	<b>1685</b>	<b>+4.3%</b>	<b>433</b>	<b>646</b>	<b>49.2%</b>

Note: Households can be in more than one group.

2.6 The following table shows the cases in arrears based on current scheme:

	Passported	Single No Children	Couple No Children	1 Child	2 Child +	Totals	% of arrears
Group 1 – 85%	156	85	5	36	88	<b>370</b>	<b>41%</b>
Group 2 – 80%	N/A	119	11	74	91	<b>295</b>	<b>33%</b>
Group 3 – 55%	N/A	20	10	65	67	<b>162</b>	<b>18%</b>
Group 4 – 25%	N/A	15	1	27	33	<b>76</b>	<b>8%</b>
<b>Totals</b>	<b>156</b>	<b>239</b>	<b>27</b>	<b>202</b>	<b>279</b>	<b>903</b>	<b>19.7%</b>
<b>% of arrears</b>	<b>17%</b>	<b>26%</b>	<b>3%</b>	<b>22%</b>	<b>32%</b>		

Note: Arrears figures as at July 2022 and relates to those that owed against previous years.

- Highest groups in arrears are in the top band but this is also where we have the highest proportion of our caseload.
- Overall 20% of our working age CTR claimants are in arrears with their council tax. Comparing this to our pension age CTR (where they receive up to 100% support) only 1.4% of claimants are in arrears with their Council Tax. For non CTR households the percentage of households in arrears is 3.6%.
- Compared to last financial year (October 2021 to July 2022) we have seen the number of working age households in arrears increase from 735 to 903 despite our caseload reducing by 3.5%.

2.7 As Members will recognise the current economic climate facing low income households is extremely tough with many needing or becoming reliant on access to emergency funds to help with essential bills. However, even prior to this the level of benefits and wages over the past decade have not kept pace with inflation and for a number of years benefits were frozen. Alongside this Council tax has continued to rise which has meant that year on year incomes have been squeezed which disproportionately impacts low income working age households. It is therefore highly probable that we are unlikely to recover all of these arrears and those that we do recover will take longer to be repaid as well as a proportion having to be written off.

### 3.0 Drivers for Change – Summary

3.1 We committed to carrying out a full review this year –action within the poverty plan & service plan objective and the key considerations we have looked at are:

- Ensuring we are striking the right balance in the amount of support being provided and that our bandwidths are set at the right level to prevent unintended consequences.
- Taking account of the affordability of our scheme by drawing on council tax arrears data, patterns and themes from our Social Resilience (Poverty) Dashboard which tracks those accessing emergency funds.
- Other factors – meets our equalities duties, taking account of external economic influences that are impacting our low income households, keeping our scheme

aligned with other neighbouring authorities so our low income households are not being disadvantaged due to their postcode, etc.

#### 4.0 Proposed changes to our working age scheme for 2023/24

4.1 Taking into account paragraph 3.1 we are proposing the following 4 changes to our scheme:

- Increase Band 1 support from 85% to 100% - residents who fall in this band have the lowest income levels and by increasing support will lift them out of paying Council Tax altogether.
- Having fully reviewed the income band levels we have recognised that as well as allowing for increases due to inflation (so it doesn't result in residents dropping bands as benefits and wages increase) we have also needed to increase the bandwidth for couples as the levels are currently the same as those for single people, and therefore weren't fully aligned with the applicable amounts that are used within means tested benefits.
- Introduce a 16 hour minimum income floor which will mirror the equivalent in Universal Credit for self-employed, this will benefit those households that are unable to work more hours such as those with caring responsibilities, etc as we will calculate their entitlement based on this lower earnings threshold.
- Introduce a maximum of 12 months backdating for new claims as currently we have no limit which creates difficulties for residents being able to provide the information and evidence needed to support applications. Instead we will consider backdates beyond this period via our council tax hardship fund.

4.2 The following table set out our proposed income bands for 2023-24:

	Passported	Single No Children	Couple No Children	1 Child	2 Child +
<b>Group 1 – 100%</b>	No Limit	£0.00 - £90.00	£0.00 - £130.00	£0.00 - £200.00	£0.00 - £270.00
<b>Group 2 – 80%</b>	N/A	£90.01 - £160.00	£130.01 - £200.00	£200.01 - £275.00	£270.01 - £345.00
<b>Group 3 – 55%</b>	N/A	£160.01 - £235.00	£200.01 - £265.00	£275.01 - £340.00	£345.01 - £410.00
<b>Group 4 – 25%</b>	N/A	£235.01 - £310.00	£265.01 - £330.00	£340.01 - £405.00	£410.01 - £475.00

- The equivalent table for our current scheme is shown in paragraph 2.3.

4.3 The caseload distribution of our proposed scheme is as follows:

	Passported	Single No Children	Couple No Children	1 Child	2 Child +	Totals
<b>Group 1 – 100%</b>	1250	402	63	279	429	<b>2423</b>
<b>Group 2 – 80%</b>	N/A	514	47	351	352	<b>1264</b>
<b>Group 3 – 55%</b>	N/A	159	42	189	233	<b>623</b>
<b>Group 4 – 25%</b>	N/A	90	7	54	105	<b>256</b>
<b>Totals</b>	<b>1250</b>	<b>1165</b>	<b>159</b>	<b>873</b>	<b>1119</b>	<b>4566</b>

4.4 The following three tables illustrates the movement in how current claimants will gain under the proposed scheme for making these changes:

4.5

	Claims	% of cases
No Change	1606	35%
Gain	2960	65%
Loss	0	0%

4.6 The groups that gain:

	Passported	Single No Children	Couple No Children	1 Child	2 Child +	Total
Gain	1250	402	106	543	659	2960
Loss	0	0	0	0	0	0

4.7 The movement in bands:

From	To	Cases	% movement	Household with Children	Disabled	Employed	Carer
25%	55%	151	5%	140	43	131	16
25%	80%	1	0%	0	0	1	0
55%	80%	385	13%	352	105	304	63
55%	100%	0	0%	0	0	0	0
80%	100%	288	10%	211	99	149	68
85%	100%	2135	72%	783	809	127	374
<b>Totals</b>		<b>2960</b>	<b>100%</b>	<b>1486</b>	<b>1056</b>	<b>712</b>	<b>521</b>

- Increasing the top band from 85% to 100% is where most households will benefit.
- 2,423 households (53% of our caseload) will be lifted out of paying Council Tax
- The movement within the other bands are due to the changes we're proposing to the bandwidths.
- Largest group to benefit is those households with children where 1486 out of a 2276 will have less council tax to pay and 994 (44% of caseload with children) will come out of paying council tax altogether.

- Second largest group is disabled household where out of 1763, 1056 will have less council tax to pay, 908 (52% of our disabled cases) will come out of paying council tax altogether.
- Disabled households are identified from our Social Resilience (Poverty) Dashboard as the biggest group presenting for emergency support and these changes will help to provide financial support to those in need.

4.8 Savings against current annual council tax (income that can be used elsewhere):

Saving Bracket	Claims	% of Claims
Less than £50 per year	0	0%
£50 - £100 per year	4	0%
£100 - £150 per year	70	2%
£150 - £200 per year	1169	39%
£200 - £250 per year	740	25%
£250 - £300 per year	311	11%
£300 - £350 per year	263	9%
£350 - £400 per year	144	5%
£400 - £450 per year	107	4%
£450 - £500 per year	81	3%
Over £500 per year	71	2%
<b>Total</b>	<b>2960</b>	

- Majority of the claimants that will benefit (98%) will see annual savings from £150- £500 per year.

## 5.0 Financial Implications for increasing support – Impact on Tax Base

5.1 As we are proposing to increase the amount of CTR then this in turn increases the scheme costs which are set out below:

Current scheme costs for working age (see table para 2.2)	Draft scheme costs	Increase
£4,532,303.16	£5,255,162.32	£722,859.16

Note: Costs calculated based on current caseload and 2022/23 council tax charges

5.2 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	%
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Devon County Council	73%
Police & Crime Commissioner for Devon & Cornwall	12%
Devon & Somerset Fire & Rescue Authority	4%
East Devon District Council	7%
Town/Parish Councils	4%

5.3 This means that if were to increase the amount of funding to CTR it would cost East Devon 7% of the increase in costs which would equate to **£50,600**. East Devon has currently set aside a sum of £44K to its budget for additional costs to CTR. Obviously if the Council was to increase funding this would reduce the overall tax base meaning preceptors receive less funding which will impact on their budgets. However, what is really important to note is that unless we collect the council tax due from these low income households we end up writing it off and this ultimately has the same effect on budgets. We therefore need to ensure that we provide the right level of funding upfront in order to avoid the build-up of what will become uncollectable debts.

5.4 There could well be resistance from other preceptors from increasing the funding to CTR customers because of the impact on the tax base in order to provide essential local services and the lateness of these proposed changes when budget setting will already be underway. Ideally this review was due to start earlier this financial year but due to the additional government schemes we've been given this year (Council Tax Energy Rebate Scheme, Household Support Fund, Homes for Ukraine, Omicron Grant scheme and the Covid Additional Relief Fund) along with recruitment issues it has meant that this work has been delayed until now.

5.5 For these reasons preceptors will not have budgeted for increases there could well be issues raised. 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 we are not the only Devon authority that is proposing to increase support to 100% as is the case with all of the Somerset authorities. Alongside this from April 2024 (assuming the Bill becomes law) and Council approves to use their discretion then we will be able to raise the amount of Council Tax for Second Home owners which will more than offset this increase in charge going forward.

## 6.0 Timetable for Scheme approval

Subject to approving the draft scheme we will then:

- Consult with the major preceptors
- Carry out a six week public consultation (approximately late October/beginning November to December)
- Following public consultation, we will consult with the Leader and Deputy Leader of the Council and two Portfolio Holders (Finance, Sustainable Homes & Communities). 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 4 January 2023
- Final scheme to be adopted by Full Council on 22 February 2023.

6.1 Due to the incredible tight timelines between now and Cabinet meeting in January there is a risk that we may not have sufficient time to meet these dates which we need to do in order to

implement the changes to the scheme for annual billing which preparation and testing commences late January.

## **7.0 Other options considered**

7.1 To not change our scheme – Although we have started this review later than we had originally planned we were extremely mindful of the commitments we had already made in carrying out a full review. Through the ongoing work we are doing in supporting our residents who are financially struggling and the demand for emergency help we felt we needed to review and propose these changes rather than retain our current scheme as the proposed change will bring about real long term positive help in lifting our lowest income households out of paying Council Tax.

## **8.0 Other Considerations**

8.1 The Government is planning to bring in legislation (part of the Levelling Up and Regeneration Bill for England) that will provide local authorities the discretion to double the Council Tax charge on second homes from 1 April 2024. We currently have 2,661 second homes registered under Council Tax and should the Council want to implement this then based on these figures it will create in the region of approximately £5.65 million per year (calculated on current year's charge) additional Council Tax income. For East Devon this equates £395,619. The reason for highlighting this is that increasing our CTR scheme costs will be a consideration for Members on the affordability of this with other budgetary pressures. A report will be brought to Members before 31 March 2023 (as there will be a 12 months' notice period before being able to implement this change) so that Members can consider whether they would want to use their discretion to raise the Council Tax charge on second homes from 1 April 2024.

### **Financial implications:**

The financial details and implications are covered in the report.

### **Legal implications:**

Some of the legal position is detailed in the report. Given that this is recommending going out to consultation there are no specific legal implications to note at this stage. Where consultation is carried out, it needs to be carried out properly and genuine consideration given to the responses. The further report to Cabinet in January will comment on this and the legal position more generally.

Devon District	Current Scheme (Maximum support )	Changes being proposed for 2023/24
East Devon DC	Banded scheme – 4 bands 85%, 80%, 55% & 25%	Increase top band to 100% and changes to the bandwidths
Exeter CC	Maximum support 80% based on means test linked to the former Benefit scheme (pre 2013).	Not proposing to make any changes but likely for 2024/25.
Mid Devon CC	Banded scheme -4 bands 85%, 65%, 45% & 25%	Currently out to consultation on increasing maximum reduction to 100% for lowest band, removal of UC HE element, inflation increases to bands, any increase from welfare provision to be disregarded.
North Devon DC	Banded scheme 5 bands – 80%, 64%, 48%, 32% & 16%	Currently out to consultation on increasing bands to:  100%, 80%, 60%, 40% & 20%. Also proposing to introduce disregards for emergency increases in welfare and certain crisis payments.
South Hams DC	Banded scheme 4 bands 85%, 80%, 50% & 25%.	Uplifting the income within the bands by 20%  Remove all earnings disregards and apply one standard earnings disregard of £25  Adjust Minimum income floor for those in receipt of carers allowance, PIP and DLA to 16 hours.
Teignbridge DC	Banded scheme 4 bands 100%,75%,50% & 25%	Not proposing any changes at this stage for 2023/24
Torrige DC	Maximum support 75% based on means test linked to the former national Benefit scheme (pre 2013)	Currently out to consultation. Proposals are to move to a grid scheme but still looking to retain a 75% maximum discount.
West Devon BC	Banded scheme 4 bands 85%, 80%, 50% & 25%.	Uplifting the income within the bands by 20%  Remove all earnings disregards and apply one standard earnings disregard of £25  Adjust Minimum income floor for those in receipt of carers allowance, PIP and DLA to 16 hours.
Devon Unitary Authorities		
Plymouth City Council	Banded scheme – 4 bands 80%, 60%,40% & 20%	Not responded at time of producing report

Torbay Council	Maximum support 70% based on means test linked to the former national Benefit scheme (pre 2013)	No changes
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