

Report to: Cabinet



Date of Meeting 4 January 2023

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## Council Tax Reduction Scheme (Working Age) 2023/24

### Report summary:

This report is seeking Members approval on the proposed changes to our Council Tax Reduction (CTR) scheme to be implemented from 1 April 2023 following public consultation. Members of Cabinet had approved at their meeting on 2 November 2022 to consult on making changes to our scheme from 1 April 2023. These changes would increase the amount of financial support for the majority of working age residents in receipt of CTR. One of the main proposals is to increase Band 1 support from 85% to 100%, which would lift those residents with the lowest incomes that fall within this band out of paying council tax altogether.

### Is the proposed decision in accordance with:

Budget Yes  No

Policy Framework Yes  No

### Recommendation:

1. To consider fully the equality impact assessment in relation the scheme
2. That Cabinet recommend to Council to adopt the new Council Tax Income banded scheme as set out in the report under sections 1.7 and 1.8 from 1 April 2023

### 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%. 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. The changes being recommended supports the Council's poverty strategy as by reducing the council tax burden for those on the lowest incomes the proposals will help to build financial resilience. Also, it is important that our income bandwidths take account of increases in inflation and are aligned to the applicable amounts for means tested benefits.

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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 High**

[EIA](#)

## **Climate change Low Impact**

**Risk:** Low Risk

### **Links to background information**

[Draft policy](#)

[Consultation Results](#)

[DCC response to CTR changes](#)

**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 (also known as Council Tax Support) was introduced from 1<sup>st</sup> 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 our scheme we must take account of our duties to protect vulnerable people by having due regard to the equalities act. We also have a legal duty to consult with major preceptors and with the public on any proposed changes. Any changes to a scheme must be adopted by Full Council by the 11 March for the new financial year.
- 1.4 Significant changes to our working age scheme were introduced from 2020/21 where the Council increased maximum support from 80% to 85%,and 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 from 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 compared to others in neighbouring authorities who are providing more generous levels of support. 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%. A number of Devon authorities are proposing to make changes to their schemes for 2023/24. North Devon District Council have already agreed to increase to a 100% scheme from April 2023, despite objections raised by Devon County Council. Mid Devon District Council are also proposing to increase their scheme to provide up to 100% support and this will be considered by Members in January 2023. South Hams & West Devon are proposing to make changes to their bandwidths by uplifting the thresholds benefitting households on CTR..

1.7 Members of Cabinet at their meeting on 2 November 2022 agreed to consult on the following 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.
- Introduce a 16 hour minimum income floor which will mirror the equivalent in Universal Credit for the 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.
- 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. See table below:

	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

1.8 In addition we have also included in the consultation the expansion of existing provisions within our policy to disregard incomes received under certain government initiatives, such as crisis payments (local welfare provision). This builds on a pre-existing disregard following the government providing more emergency support than previously available since Covid-19, and allows us to ensure our policy is future proofed so that any new emergency schemes or temporary increases in welfare benefits can be disregarded.

1.9 Details of the caseload distribution and the impact of the proposed changes were set out in the report to Cabinet at its meeting on 2 November 2022 [Agenda for Cabinet on Wednesday, 2nd November, 2022, 6.00 pm - East Devon](#). The key headlines to the proposed changes are as follows:

- 2960 households (65% of our caseload) will benefit from these changes and with no one worse off.
- 2,423 households (53% of our caseload) will be lifted out of paying Council Tax
- 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 households where out of 1763, 1056 will have less council tax to pay, 908 (52% of our disabled cases) of these 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 most in need.

## 2.0 Outcomes of the consultation

2.1 We've had responses to our consultation from our major preceptors:

- Devon Fire and Rescue Authority – Supports the proposed changes to the Council Tax Reduction Scheme (via email)
- Devon County Council – Formally object to these proposals at this time. Letter available [here](#)
- Devon & Cornwall Police Authority – Confirmed agreement to this change (via email)

2.2 The public consultation was open for 6 weeks from 4 November 2022 to 15 December 2022 and we received **178** responses. The consultation was published online and was also promoted via local press, social media, emails, internal staff bulletins, letters, etc. Due to the specific topic of the consultation which is relatively technical this would not be an unreasonable level of response. In 2019 when we consulted on the previous changes to our Council Tax Reduction Scheme (where we introduced a Banded scheme from April 2020) we received 161 responses so the level of response this time is slightly higher.

2.3 Of the 178 responses received for the consultation the majority overall agreed to the changes proposed. The key headlines from the consultations are:

- 85 (61%) responded positively or very positively to the overall changes with 17 neutral (12%) and 38 (27%) either against or very against the proposals.
- 89 responses (57%) voted yes to the revision of the income bands with 62 (40%) voting no. This includes raising income band 1 to 100% and changes to the band widths to allow for couples.
- 98 (67%) responded yes and 42 (29%) no to introducing a 16 hour minimum income floor for the self-employed unable to work more hours
- 112 (78%) voted yes to the introduction of a maximum of 12 months backdating with 21 (15%) voting no.
- 107 (74%) yes compared to 22 (15%) no responses were received for disregarding certain crisis payments and 109 (75%) yes to 22 (15%) no responses for disregarding emergency increases in national welfare benefits.
- Citizens Advice East Devon 100% agree with the changes being proposed.

Full consultation results are available [here](#)

2.4 Comments made in relation to the proposed scheme changes ranged from support for the scheme and the acknowledgment that some households are in need of extra financial support, to those that did not support the scheme as everyone is struggling due to the cost of living crisis.

2.5 Whilst we are aware that there are a large number of households affected by the cost of living crisis we are only able to provide a CTR scheme to support those residents who are on the lowest incomes.

### 3.0 Final Scheme being recommended

3.1 The final scheme being recommended is to implement all the changes that were consulted on as summarised under section 1.7 & 1.8. The draft policy document is available under background papers and reflects these changes.

3.2 We have carried out an equalities impact assessment. Our proposed scheme provides the following benefits to those with protected characteristics who are claiming under our working age CTR scheme:

- 65% (2960 out of 4560 households) will see increases in the amount of CTR being provided
- 53% of our working age caseload who have the lowest incomes will come out of paying Council tax altogether
- No one is losing out under our proposals
- 60% of households with a disabled member resident will see an increase in the amount of support being provided
- 52% of households with a disabled member resident will come out of paying council tax altogether
- 81% of households with a carer will benefit
- 65% of households with children will benefit
- 42% of households in work will benefit

3.3 The full equalities impact assessment is available [here](#).

3.4 The movement in bands is shown below:

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>

3.5 The changes being recommended supports the Council's poverty strategy as reducing or removing the council tax burden for those on the lowest incomes will help to build financial resilience.

### 4.0 Cost of Scheme – Impact on Tax Base

4.1 As we are recommending an increase in the amount of CTR for those of working age the total scheme costs will increase and is estimated as follows:

Current Working Age Scheme Cost	Proposed Working Age Scheme cost (based on current year Council tax)	Estimated cost of changes (based on current year costs)
£4.532m	£5.255m	£723K

- 4.1 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	Estimated Cost
Devon County Council	73%	£528K
Police & Crime Commissioner for Devon & Cornwall	12%	£87K
Devon & Somerset Fire & Rescue Authority	4%	£29K
East Devon District Council	7%	£50K
Town/Parish Councils	4%	£29K

- 4.2 The additional costs of these proposals have been included in the tax base calculation for 2023/24. Approving the tax base is also included as an item on this Cabinet agenda. This shows the tax base for 2023/24 is 61,653 band D equivalents which is an increase of 848 band D's on the current year, which will raise approximately an extra £1.8m on the council tax collection fund (estimated on this year's council tax). This already factors in the additional cost for increasing our CTR based on these proposed changes.
- 4.3 The major preceptors have also just been notified of a £3.256m surplus on the collection fund. It is unlikely that they will have budgeted for this full amount. For Devon County this is circa £2.379m.
- 4.4 East Devon has budgeted for this additional cost.
- 4.5 As highlighted under section 2.1, Devon County Council are objecting to our proposed scheme due to the impact on their budgets and are requesting the Council reconsider. Although we are required to consult with the major preceptors on changes to our scheme we are only required to consider this as part of the Council making its decision. The decision making in relation to determining our scheme sits with the elected Members of this Council. Both the police and fire service support these proposals.
- 4.6 When we made changes to our scheme for 2020/21, Devon County also raised concerns over the increase in costs as part of their consultation feedback. It is also worth noting that North Devon Council have already approved to move to a 100% scheme from 2023 despite the objections raised by Devon County Council. Mid Devon District Council are also proposing to move to a 100% scheme but this isn't being finalised by Members until January 2023. Teignbridge District Council already provides for a 100% support in their scheme.
- 4.7 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 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 18% (£528k) of all outstanding arrears (as at July 2022) despite the proportion of Council Tax they pay representing only 1.3% of the total net collectible debit. The highest proportion of CTR households in arrears are those in Band 1 (households on the lowest incomes). In 2019 when we last reviewed our scheme the level of debts represented 13% of all

outstanding arrears. This means the position has worsened since then which is not surprising with the impact of Covid-19 and now with the cost of living crisis.

## **5.0 Other considerations**

5.1 We recognise the difficulties that all preceptors are facing with budget pressures and the challenges this creates in protecting essential public services and we recognise that these proposals do affect the tax base. Along with what has already been mentioned above Members may also find the following useful:

- From April 2024 the Council (assuming the Bill becomes law) will have the ability to increase the charges on second homes and there are also changes to empty properties. This is estimated to generate an extra circa £6m Council Tax income which will more than offset the additional cost of changing our CTR scheme moving forward. This is also on the agenda for this Cabinet meeting.
- Teignbridge District Council already have a 100% scheme. North Devon District Council Members have agreed to move to a 100% scheme from April 2023 and Mid Devon District Council are proposing to do the same.
- Somerset authorities are also proposing to move to a 100% scheme from April 2023.
- The Council Tax Base for 2023/24 is showing growth of 848 band D properties despite factoring in these changes. The previous year's growth was 721.
- East Devon District Council has the highest Council Tax collection rate out of all the Devon authorities and also in the South West for 2021/22, nationally we're ranked 5th highest out of 316 councils. What this hopefully demonstrates to Members is how as an authority we are going over and above to protect and maximise the Council Tax income to all preceptors.
- We are in discussions (along with all the Devon districts) with carrying out a single person discount review during 2023/2024. The last time we did this was in 2018 and it generated an annual income of £229K in Council Tax revenue as we removed 566 discounts that were incorrectly being claimed. This review would have happened sooner had it not been for resources having to be directed at delivering government schemes (impact of Covid & now Cost of Living) which have been ongoing since March 2020. If a similar level of discounts were to be removed this would generate over £300K based on current council tax levels. Doing this review benefits Devon County Council the most because of the proportion of Council Tax income they keep.

## **6.0 Other options**

6.1 Not to adopt the changes and retain our existing scheme for 2023/24 would not provide the additional support to our low income working age households and will likely see the level of council tax debts rise especially with the cost of living pressures which are disproportionately impacting low income households. Also, if we don't change the bandwidths to reflect inflation then existing claimants may drop down a band making them worse off. Due to the work we are doing as part of the Council's poverty strategy we see these changes as a positive measure in helping to build financial resilience.

## **7.0 Conclusion**

7.1 From the work we have been doing on poverty and financial resilience since 2020 we have recognised that those low income households are being disproportionately impacted by the cost of living crisis. In addition, welfare reform over the last 10 years has seen real term cuts in benefit payments. As a result more and more people are becoming reliant on using foodbanks or accessing emergency support funds as they are struggling to make ends meet. We can see from our own Council Tax arrears figures that the level of indebtedness for CTR claims is proportionately higher than it was in 2019.



- 7.2 These proposed changes will provide real term benefits to those households on low incomes with the two largest groups to gain being families with children and households where there is a disabled resident living. These proposed changes supports the work this Council is doing as part of its poverty strategy by building financial resilience and helping to lift people out of repeat financial crisis.
- 7.3 With more authorities moving to 100% schemes it seems appropriate for the reasons stated in this report that East Devon District Council should do the same by approving the changes as set out in the recommendation.
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### **Financial implications:**

The financial implications were considered by Cabinet in the initial report in agreeing the draft scheme for consultation, the implications have been factored into the Council Tax Base for 2023/24 on the assumption that the scheme will now adopted by 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. 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.