

**Meeting:** Council Meeting

**Date:** 07 December 2023

**Wards affected:** All

**Report Title:** Proposed Council Tax Support Scheme 2024/25

**When does the decision need to be implemented?** 01 April 2024

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## 1. Purpose of Report

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- 1.1 The Council Tax Support Scheme provides financial support to households that are on a low income or are unemployed, in order to assist them in paying their Council Tax.
- 1.2 This report recommends to Council a replacement to the current Local Council Tax Support Scheme (LCTS) for 2024/25. This would introduce a less complex banded scheme for residents who are of working age in Torbay. The revised scheme is subject to approval by Council in line with the statutory requirement for approval of a scheme.
- 1.3 This report also recommends a change to the level of Council Tax Support provided.

## 2. Reason for Proposal and its benefits

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- 2.1 This report provides an overview of the current scheme and the proposed changes, the financial implications, and the risks.
- 2.2 The new scheme will have a more modern approach, in which the current means tested scheme will be replaced by a simple income grid model, whereby household composition and net income will allocate a percentage reduction to the Council Tax liability.
- 2.3 Whilst the move to such a scheme has been considered previously, practical and environmental factors meant that it was not pursued. However, the move to income banded schemes has gained momentum nationally, with more than seventy local authorities now operating such a scheme, with the main aim to improve efficiency in administration and its general simplification for residents.
- 2.6 The detail of the proposed changes to the current scheme are shown in Appendix 1.
- 2.7 In summary, the current Council Tax Support scheme is based on a now outdated benefit approach which alters entitlement on a weekly basis. By introducing a new banded scheme, its design will reflect a more modern and efficient approach.

2.8 The benefits of this banded Council Tax Reduction scheme are:

- The scheme reduces decision waiting times;
- Some customers will receive a higher level of support;
- It is less complicated than the current Local Council Tax Support scheme;
- A simpler application process for the customer;
- Customers will not receive confusing notification award letters, instead receiving a Council Tax bill showing their calculated reduction;
- Customers will be able to see their entitlement to Council Tax reduction as part of their application process, enabling them to better plan their finances;
- The scheme places the emphasis on the customer to tell us changes in circumstances in line with Universal Credit;
- The scheme reduces administration costs to the Council, including postage and printing;
- The scheme reduces customer contact due to it being simpler and more transparent

2.9 The disadvantages for this Council Tax Reduction scheme are:

- Having to manage the initial change for customers, officers and partners;
- A small minority of customers will have to pay more Council Tax. In such cases, the Council's Discretionary Reductions, (Exceptional Hardship), fund will be available to provide additional financial support;
- There is a risk that a minority of claimants might attempt to falsify financial information

2.10 11,953 Council Tax payers receive Council Tax Support in Torbay which consists of 6,612 working age and 5,341 pension age households.

2.11 In response to the cost of living crisis, the Council allocated additional, one-off, resources in 2023/24 to provide further support to working age residents in receipt of Council Tax Support. Following a consultation that was undertaken in March 2023, it is recommended that on-going revenue funding is allocated to increase the maximum benefit attainable from the 2024/25 Council Tax Support scheme from 70% to 75%.

### 3. Recommendation(s) / Proposed Decision

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3.1 That the Council Tax Support Scheme be amended as follows;

1. Introduction of an income banded scheme where a discount will be applied to the Council Tax liability with the maximum level of discount (for working age residents), to be raised to 75% of the Council Tax liability.
2. Removal of the restriction to the equivalent of Council Tax property band D for households that occupy property in bands E to H.
3. Removal of the requirement for non-dependant deductions.
4. Lowering of the number of hours used to calculate the self-employed minimum income floor for lone parents from 35 to 25 hours.
5. Retention of the number of hours used for calculating the self-employed minimum income floor for single people, couples, and couples with children at 35 hours.
6. Removal of the Extended Payment provision.
7. Retention of the Additional Earnings disregard. Provision of a new disregard for Carer's Allowance.
8. Provision of a new disregard for the support related and work-related activity components for Employment and Support Allowance.

9. Provision of a disregard of £75 per week where the applicant, partner or dependant is in receipt of a disability benefit.

3.2 Allocation of funding to facilitate the new scheme be approved:

(a) £529k to meet the on-going increased benefit allocated through the new banded scheme and the increased maximum level of benefit

(b) £20k increase in the Exceptional Hardship Fund to support any residents adversely affected by the scheme change.

## **Appendices**

Appendix 1: Scheme Changes - detail

Appendix 2 CTSS Consultation Report Nov 23

Appendix 3 Case studies based on 2024/25 band and recommended scheme

Appendix 4 Equality Impact Assessment

# Supporting Information

## 1. Introduction

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- 1.1 In March 2012, the Welfare Reform Bill received Royal Assent and contained provisions for the abolition of Council Tax Benefit. In October 2012, the Local Government Finance Act became law and included the framework for localised Council Tax Reduction schemes which is known as the Council Tax Support scheme.
- 1.2 Statutorily, Local Authorities were required to develop and adopt a Localised Council Tax Support scheme by 31 January 2013, with implementation on 1 April 2013. To an extent, Councils had been given autonomy to develop schemes that met the needs of their local area but were also prescribed a framework, where pensioners are protected.
- 1.3 To enable this activity to be taken forward, the Government provided Local Authorities with a statutory framework that included the following:
  - Local Authorities must have their initial schemes agreed by 31st January 2013.
  - Financial help with Council Tax will now be seen as a discount and not a benefit.
  - There will be no change to the amount of help pension age claimants receive.
  - Councils can decide the rules for their schemes within a prescribed framework, however, must consider the impact on the most vulnerable.
  - Guidance was given to encourage local authorities to ensure local schemes do not act as a disincentive to working.

## Background

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- 1.4 Prior to April 2013, the national Council Tax Benefit scheme was available to taxpayers on low incomes to assist them with their Council Tax liability. This scheme had been in operation since 1993 and was administered by Local Authorities on behalf of the Department for Work and Pensions. Under the national scheme Council Tax payers received up to 100% of their Council Tax liability and the Council then received full funding from the Government for all claims that were correctly awarded.
- 1.5 Following changes introduced by the Local Government Finance Act 2012, local authorities had to devise their own local schemes for low income households to take effect from 1 April 2013.
- 1.6 When devising the new scheme, a detailed analysis of over 35 different financial profiles was undertaken, taking into account the demographic profile of the households receiving Council Tax Benefit at that time. The evaluation process was based upon the principles of fairness and ease of administration.
- 1.7 The scheme was approved by members at Full Council in December 2012 and introduced in the following April 2013. Further changes to the scheme were agreed by members in December 2016 and introduced over the following two financial years, in 2017/18 and 2018/19.
- 1.8 Since 2019/20, the scheme has had further minor changes, so that it continued to be aligned with the current Housing Benefit Regulations and Universal Credit legislation.

### **Torbay's current Council Tax Support Scheme**

- 1.9 Council Tax Support is a local scheme that provides financial support to households that are eligible to pay Council Tax by way of a reduction to their Council Tax bill, dependent upon their income and circumstances. Local authorities have a statutory duty to provide a local scheme for working age households within its area. Pension age households are subject to statutory provisions determined on a national basis that must be incorporated within each authority's local scheme. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of Council Tax Support, can only be made to the working age scheme.
- 1.10 Torbay's initial scheme was prepared as part of a Devon wide approach, where the overarching principle was to develop a cost neutral scheme that retained many of the characteristics of the old Council Tax Benefit scheme. The current working age scheme has retained the characteristics of the old Council Tax Benefit scheme, with the following changes:
  - The maximum award payable is 70% of the Council Tax charge – introduced from 1 April 2018.
  - Restrict to the equivalent of a Band D property charge and apply the 70% maximum award – introduced from 1 April 2018.
  - Second Adult Rebate is withdrawn – introduced from 1 April 2013.

- Capital/Savings limit set to a maximum of £6,000 – introduced from 1 April 2013.
- To align with Universal Credit legislation, a minimum set income for self-employed after one year's trading, based on the equivalent 35 hours per week at the national minimum wage for the age group – introduced from 1 April 2017.
- To align with Housing Benefit Regulations, limit the number of dependants within the calculation for Council Tax Support to a maximum of two, for households who have a third or subsequent child on or after 1 April 2017 – introduced from 1 April 2017.
- To align with Housing Benefit Regulations, Family Premium is removed for new claims received or for existing cases, where there is a break in entitlement from 1 April 2017 – introduced from 1 April 2017.
- To align with Housing Benefit Regulations, backdating restricted to one month – introduced from 1 April 2017.
- To align with Housing Benefit Regulations, restrict period for which a person can be absent from Great Britain and still receive Council Tax Support to four weeks – introduced from 1 April 2017.

1.11 The Council's Vulnerability Policy and Discretionary Reductions (Exceptional Hardship) Policy are mitigating features of the current Council Tax Support scheme, developed to manage any potential negative impacts in the scheme.

1.12 The Exceptional Hardship fund was introduced from 1 April 2013, to provide financial assistance to working age households with their Council Tax. The fund is available to Council Tax payers receiving Council Tax Support who are facing exceptional financial hardship with the level of any support not meeting their full Council Tax liability.

1.13 The fund has financial limitations and, as such, awards can only be made based on eligibility, whilst having regard to the level of funding available or remaining within the Exceptional Hardship Scheme each financial year.

### **Impact of Universal Credit**

1.14 The introduction of Universal Credit in Torbay commenced in September 2018. This brought a number of challenges to the administration of Council Tax Support and the collection of Council Tax.

1.15 The initial transition to Universal Credit was relatively slow, as it's dependent on a relevant change of circumstances, such as finding or finishing a job. However, the pandemic accelerated this process and currently nearly half of the working age caseload now receive this benefit.

1.16 Around 40% of Universal Credit households will have an adjustment to their entitlement each month and on average, all Universal Credit households will have at least eight changes of income changes a year.

- 1.17 For each change in entitlement for Universal credit, the amount of Council Tax Support is recalculated and will produce a revised Council Tax bill. It also amends payment instalments. This can make budgeting to pay Council Tax far more difficult for low-income households, as they will not have a regular amount to pay. It can then lead to non-payment, resulting in recovery action and potential costs to residents.

## 2. Options under consideration

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- 2.1 To adopt the new proposed scheme.
- 2.2 The alternative to the proposed scheme is to continue with the current means tested scheme, using the same calculation methods. The current scheme calculates entitlement on a weekly basis. It is reactive to change, where multiple changes in entitlement have a significant negative impact on claim administration and billing.
- 2.3 As the number of working age households moving to Universal Credit increases, this method of calculating Council Tax Support is becoming less viable as each change will produce a Council Tax bill and revises payment instalments. On 12 October 2023, the Chief Executive received communication from DWP advising that migration notices to Tax Credit claimants in Torbay will commence in January 2024.

## 3. Financial Implications

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- 3.1 The cost of the scheme is shared between Torbay Council, which includes Adult Social Care precept, (83.2%), Police and Crime Commissioner (12.3%) and Fire and Rescue Service (4.5%).
- 3.2 The current cost of the scheme is around £12.13m, with £5.40m supporting working age households. Moving forward with the current level of discount, the cost would be £12.31m, with £5.58m supporting working age households. An increase of £179,000.

The £179,000 increase can be attributed to the proposals for lifting the current restriction of property band D, the removal of the income adjustment relating to non-dependents and widening of the bands for couples with no children to 'smooth' the discounts applicable.

The proposal to change the maximum Council Tax discount from 70% to 75% would add a further £350k to the cost of the scheme.

The council's Discretionary Reductions (Exceptional Hardship) fund will continue to be available to provide additional financial support to households most in need and will be increased by £20k to further support the impact of the new scheme.

This brings the total increased cost to the Council, compared to 2023/24, to £549,000.

### 3.3 2024/25 Income Bands

It was announced in the Autumn Statement on 22nd November 23 that all working-age benefits will increase by 6.7% in April 2024 and the National Minimum Wage will increase by 9.8% for those aged 21 or over. The increase will apply to all households that receive Universal Credit, which makes up just over 58% of the current caseload.

In future years, income bands will be increased by the increase in working-age benefits for the following financial year.

The current means tested scheme will be replaced by a simple income grid model, where the household composition and net income will apply a percentage reduction to the Council Tax liability. The Income bands will be sufficiently wide to avoid constant changes in the discount.

To allow for variation, the band amount will increase where the applicant has a partner and/or dependent children. This effectively replaces Personal Allowances and Premiums used for calculating the current means tested based scheme.

The grid shown in the table below has been carefully modelled on current data and shows the level of support applicable to the household weekly income and composition.

### Weekly Income Bands & Discounts per Household Category

| Level of Discount | Single                             | Couple                             | Single and 1 Child                 | Single 2+ Children                 | Couple and 1 Child                 | Couple 2+ Children                 |
|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| 75%               | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit |
| 75%               | £0 to £102.00                      | £0 to £149.00                      | £0 to £176.00                      | £0 to £256.00                      | £0 to £230.00                      | £0 to £310.00                      |
| 55%               | £102.01 to £132.00                 | £149.01 to £189.00                 | £176.01 to £216.00                 | £256.01 to £296.00                 | £230.01 to £270.00                 | £310.01 to £350.00                 |
| 40%               | £132.01 to £162.00                 | £189.01 to £229.00                 | £216.01 to £256.00                 | £296.01 to £336.00                 | £270.01 to £310.00                 | £350.01 to £390.00                 |
| 20%               | £162.01 to £192.00                 | £229.01 to £269.00                 | £256.01 to £296.00                 | £336.01 to £376.00                 | £310.01 to £350.00                 | £390.01 to £430.00                 |
| 0%                | £192.01+                           | £269.01+                           | £296.01+                           | £376.01+                           | £350.01+                           | £430.01+                           |

## 4. Legal Implications

### 4.1 Schedule 1A(3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- a) consult any major precepting authority which has power to issue a precept to it,
- b) publish a draft scheme in such manner as it thinks fit, and



- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

## 5. Engagement and Consultation

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5.1 Before final approval of the scheme, Councils are required to consult with:

- Major Precepting Authorities (Police and Fire Authorities);
- The public;
- Relevant stakeholder groups - e.g. Citizens Advice Bureau, representative groups.

Consultation on a change from the maximum level of support from 70% to 75% of liability took place in February 2023.

The consultation process on the proposed change to a banded scheme commenced on 2 October 2023. A seven-week response period was adopted to ensure responses could be considered before these final recommendations.

5.2 Brixham Parish Council was also informed of the proposed scheme change.

5.3 Appendix 2 provides details of the results from the consultation on the proposed change to the banded scheme.

5.4 In terms of the consultation in February 2023 on the proposed change in the maximum support, the consultation was open for just over five weeks during the consultation on the proposed 2023/24 budget for the Council. It was promoted on the Council's consultation webpage and through social media. During the consultation period:

- 146 participants visited at least one page of the Council Tax Support Scheme consultation
- 66 visited multiple webpages
- 16 visited the frequently asked questions page
- 3 visited the key dates page

35 people completed the questionnaire, with 10 of those currently receiving Council Tax Support and 25 not currently receiving Council Tax Support. 20 people either strongly agreed or agreed with the proposal that the maximum amount the council pays within the Council Tax Support scheme should be increased from 70% to 75%, 13 people strongly disagreed or disagreed and 2 people didn't know. Respondents were also asked whether they agreed or disagreed that increasing the maximum amount the Council paid within the scheme should be prioritised over other services which the Council provides – 17 people strongly agreed or agreed, 5 people didn't know and 13 people strongly disagreed or disagreed.

## 6. Purchasing or Hiring of Goods and/or Services

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- 6.1 Implementation will require a change in IT software that's used to administer the scheme. There will be a one-off cost, consisting of a licence fee and enhancement fee to ensure that the system will disregard the disability elements as required.
- 6.2 There will also be a new on-line application form, that will provide the initial efficiencies in administering the scheme and in the longer term have the potential to fully automate the process.
- 6.3 In addition to the one off set up costs there will be an annual software maintenance fee that will be funded through existing service budgets.

## 7. Tackling Climate Change

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- 7.1 No material impact. However, moving away from paper based applications to a more automated scheme will deliver some benefits.

## 8. Associated Risks

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- 8.1 In transitioning from the old to the new scheme, there is a risk that there could be some initial confusion amongst applicants. If not managed well, this could lead to customers not receiving discounts that may be due to them. By simplifying the current scheme and ensuring that we publicise the new scheme effectively, it will become easier for customers to make a claim and administrative costs will also be reduced.
- 8.2 A few households will not benefit from this change and will see a reduction in entitlement. However, increasing the Exceptional Hardship fund will provide greater assistance to those households negatively affected by the changes.

| <b>Risk</b>                      | <b>Description</b>              | <b>Mitigation</b>   |
|----------------------------------|---------------------------------|---|
| Cost of scheme is below estimate | Entitlement less than estimated | Core system (Open Revenues) forecasting module and Reporting software (Crystal) |
| Cost of scheme exceeds estimate  | Entitlement more than estimated | Core system) Open Revenues forecasting module and Reporting software (Crystal)  |

|  |   |  |
|--|---|--|
| Software delays  | <p>Core system supplier unable to deliver software changes for testing prior to annual billing.</p> <p>Procurement of electronic application form</p> <p>Electronic application form software not developed for testing prior to 1 April 2024</p>                                   | <p>Provide specification before November 2023.</p> <p>Regular progress reports on development.</p> <p>Check if a waiver is possible or keep tender period to a minimum</p> <p>Regular progress reports on development.</p>   |
| Competing priorities may result in staff being unable to meet project timescales | <p>Limited staffing resources available</p> <p>HB subsidy audit and sign off for 2021/22 and 2022/23 claims.</p> <p>Single Housing Benefit extract changes – real time data exchange</p> <p>Searchlight encryption – requirement specified in memorandum of Understanding (MoU)</p> | <p>Sufficient capacity must be made available to support the implementation of this scheme. Currently, there is a shortage of experienced staff, so the additional work from this project will add further pressure on already stretched resources.</p> <p>Request extensions.</p> <p>Delaying implementation – contact DWP and request a later date (move to a later tranche).</p> <p>Request an extension.</p> |
| Potential legal challenge  | Any change to CTR can be legally challenged.  | Ensure full consultation has taken place with genuine options and that a thorough equality impact assessment has been undertaken.  |

## 9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

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9.1 Please refer to the report in Appendix 3

## 10. Cumulative Council Impact

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10.1 None

## 11. Cumulative Community Impacts

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11.1 None