

## **Council Tax Support Scheme 2021/22**

Executive Portfolio Holder: Peter Seib, Finance and Legal Services  
Strategic Director: Netta Meadows, Service Delivery  
Lead Officer: Helen Morris, Specialist Team Manager, Service Delivery  
Contact Details: helen.morris@southsomerset.gov.uk or 01935 462033

### **Purpose of the Report**

1. To request that the District Executive recommend the implementation of an income banded Council Tax Support scheme with effect from 1 April 2021 to Full Council for approval.
2. Each year the Council is required to review its Council Tax Support Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.

### **Forward Plan**

3. This report appeared on the District Executive Forward Plan with an anticipated Committee date of 7 January 2021.

### **Public Interest**

4. Council Tax Support (CTS) was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the council from government has reduced year on year.
5. As with the majority of authorities within England, the District Council needs to make changes to the CTS scheme for working age applicants (the scheme for pension age applicants is prescribed by Central Government) in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.

### **Recommendations**

6. That District Executive recommend to Council to approve the introduction of a new income banded / grid scheme for working age applicants with effect from 1<sup>st</sup> April 2021, to increase the overall level of support for the lowest income families which will give stability for applicants and to reduce the administrative burden placed on the Council by the introduction of Universal Credit.

### **Background**

7. Council Tax Support (CTS) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of

the Department for Work and Pensions (DWP). As part of the introduction, the Government:

- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
  - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
  - Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.
8. Since 2013 the Overview and Scrutiny Committee have commissioned a Task and Finish review of Council Tax Support each year, working in conjunction with officers to develop a local scheme.
  9. Since that time, funding for the Council Tax Support scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.
  10. The current Council Tax Support scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.
  11. Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to the working age scheme.
  12. When Council Tax Support was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age applicants, even those on the lowest income, to pay a minimum payment of 15%.
  13. Since that time other slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit.

### **The main issues with the current scheme**

14. There are a number of issues with the current scheme that will need addressing if the system is to continue to provide effective support to low income taxpayers and also if the Council is able to provide the service in an efficient manner. The main issues are as follows:

- The need to assist low income households and assist in the collection of Council Tax
- The introduction of Universal Credit for working age applicants; and
- The need for a simplification of the scheme.

15. Each of the above are examined in detail below:

### **The need to assist low income households and assist in the collection of Council Tax**

16. Since 2013, the introduction of Council Tax Support, the majority of authorities, including the District Council have required all working age applicants to pay a minimum payment. Under the previous scheme (Council Tax Benefit) almost 75% of working age applicants would not have been required to pay any Council Tax and would have received full (100%) support.
17. As with a large number of authorities, there is a strong view that there should be an increase in the level of support to those households on the lowest of incomes. This view has gained momentum over the past few years but has been reinforced since the COVID-19 crisis which has had a major effect on incomes generally.
18. Whilst the principle of all working age households paying 'something' was initially thought to be an approach that would be central to the design of Council Tax Support, the reality is that, since its introduction, low income taxpayers, the poorest households, have been unable to pay the balance leading to additional costs, court and enforcement action and, in some cases, the amounts demanded have been written off as uncollectable.
19. The costs of administration of these cases by the District Council has increased significantly over the years. These costs are borne solely by the District Council. With the difficulties experienced, the relatively low level of payment and the high administration costs incurred, it no longer makes the amounts economically viable to collect. Notwithstanding the negative effects to those poorest households.

### **Council Tax Support and the roll out of Universal Credit**

20. The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Support and also the collection of Council Tax generally. All Councils have experienced the following:
  - The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Support leading to a loss in entitlement;
  - A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Support entitlement. On average 40% of Universal Credit claimants have between eight

and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and

- The increased costs of administration through multiple changes with significant additional staff and staff time being needed.

21. It is clear that the existing means tested Council Tax Support scheme, which is too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area and with the substantial increase in Universal Credit claimants due to the COVID-19 crisis. The move to a new more efficient scheme from 2021 is now imperative.

### **The need for a simplified approach to the Council Tax Support Scheme**

22. Notwithstanding the introduction of Universal Credit, the existing scheme is based on an 'old fashioned;' means tested benefit scheme. It has major defects namely:

- It is complex for customers to understand and is based on a complex calculation of entitlement;
- The administration for staff is complex, with staff having to request significant amounts of information from applicants;
- Staff have to undergo significant training to be proficient in processing claims;
- The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
- The administration of the scheme is costly when compared to other discounts for Council Tax.

23. Clearly there is a need now to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the costs of administration.

### **The proposed approach for the 2021/22 Council Tax Support Scheme**

24. In view of the problems being experienced by applicants with the current scheme, it is proposed that an alternative approach be taken from 2021/22. The approach has been to fundamentally redesign the scheme to address all of the issues with the current scheme and in particular;

- (a) The level of support available to the poorest households;
- (b) The problems with the introduction of full-service Universal Credit; and
- (c) The significant increase in administration costs due to the high level of changes received in respect of Universal Credit;

25. Work has been ongoing since early this year on a new scheme which is now complete. A consultation was undertaken with the public and major Precepting Authorities from the 23 September until the 3 November 2020. A breakdown of the consultation response is shown in the Overview and Scrutiny Council Tax Support Task & Finish report. If accepted by the Council, the new scheme will take effect from 1 April 2021.

26. The proposed new scheme has a number of features as follows:

- More support shall be given to those households on the lowest of incomes than in the current scheme;
- The changes can **only be made to the working age schemes** as the current schemes for pensioners is prescribed by Central Government;
- The current means - tested schemes will be replaced by a simple income grid model as shown below:

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
Income Ranges							
Band 1	100%	£0 - £95.00	£0 - £160.00	£0 - £220.00	£0-£140.00	£0 -£205.00	£0 - £260.00
Band 2	75%	£95.01 - £155.00	£160.01 - £220.00	£220.01 - £290.00	£140.01 - £210.00	£205.01 - £270.00	£260.01 - £330.00
Band 3	40%	£155.01 - £190.00	£220.01 - £255.00	£290.01 - £345.00	£210.01 - £260.00	£270.01 - £310.00	£330.01 - £390.00
Band 4	25%	£190.01 - £235.00	£255.01 - £290.00	£345.01 - £440.00	£260.01 - £310.00	£310.01 - £360.00	£390.01 - £430.00
	0%	Over £235.00	Over £290.00	Over £440.00	Over £310.00	Over £360.00	Over £430.00

- It is proposed that the highest level of discount will be at a maximum level of liability (100%), Band 1, and all current applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount;
- All other discount levels are based on the applicant's (and partner's, where they have one) net income;
- The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants
- There will be no charges made where an applicant had non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low income families where adult sons and daughters for example remain at home;
- To encourage work, a standard £25 per week disregard will be provided against all earnings. This will take the place of the current standard disregards and additional earnings disregards. The income levels in the 'grid scheme' are set at a higher rate for families.
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- Where any applicant, their partner or dependent child (ren) are disabled, a further disregard of up to £30 will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and Child Maintenance will be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed; and
- The capital limit will remain at £6,000.

### How the new scheme will address the problems with the current Council Tax Support

27. With the simplicity of the proposed new scheme and by taking a more 'Council Tax discount approach', it will address the problems associated with the increased administration caused by failings in the current scheme and Universal Credit as follows:

- **The scheme will require a simplified claiming process.** All applicants will see a significant reduction in the claiming process and, where possible, Council Tax Support will be awarded automatically. For Universal Credit applicants any Universal Credit data received from the Department for Work

and Pensions (DWP) will be treated as a claim for Council Tax Support. Where information is received from DWP, the entitlement to Council Tax Support will be processed automatically without the need to request further information from the taxpayer. These changes will have the following distinct advantages namely:

- **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
- **Maximising entitlement to every applicant.** As there will no requirement for Universal Credit applicants to apply separately for Council Tax Support, and for all other applicants, the claiming process will be simplified significantly. Entitlement to Council Tax Support will be maximised with a reduced risk of loss of discount or the need for backdating;
- **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining the high collection rates currently achieved. The increased level of discount will assist all those applicants on the lowest levels of income, again improving the overall collection rate;
- **The income bands are sufficiently wide to avoid constant changes in support.** The current Council Tax Support scheme is very reactive and will alter even if the overall change to the person's liability is small. This is leading to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax demands. The effect of this is that Council Tax collection is reduced. The new scheme, with its simplified income banding approach will have the following advantages:
  - Only significant changes in income will affect the level of discount awarded;
  - Council Taxpayers who receive Council Tax Support will not receive multiple Council Tax demands and adjustments to their instalments; and
  - The new scheme is designed to reflect a more modern approach, where any discount changes it will be effective from the day of the change rather than the Monday of the following week.

## Transition to the new scheme and the Exceptional Hardship Scheme

28. The Council must be mindful that any change in scheme or a transition to a new scheme may have result in a change to the entitlement of certain applicants.



29. Inevitably, with any change in scheme, there will be some winners and losers although the proposed scheme has been designed to protect the most vulnerable. It is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the applicant.
30. This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the Council Tax Support scheme and fall to be paid through the Collection Fund.

### Other Options considered

31. The alternative to introducing a new scheme for Council Tax Support from 2021/22 is to leave the existing scheme in place. This would be a short-term option; lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the District Council's area.

### Financial Implications

32. The current Council Tax Support scheme costs approximately £9.607m which is borne by the Council's Collection Fund. The costs are shared between the Council and all the Precepting Authorities.
33. The approach and 'shape' of the scheme is changing, and the overall approach will be to provide additional support to those households on the very lowest incomes. There is no intention to reduce the level of support available to other households. Based on latest modelling, were the new scheme to be in place at the current time, the costs would be £9.974m.
34. Financial modelling was undertaken throughout the project and this will be particularly important given the effect of the COVID-19 crisis on the incomes of households within the District Council's area.
35. Whilst the expected costs of the scheme for 2021/22 will be slightly higher, the overall level of Council Tax Support as a proportion of the Council Tax Base has reduced year on year since 2013 as shown below. The proposed changes for 2021/22 would still represent a significant reduction in the proportion of costs in real terms compared to the original Council Tax Support level:



	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 (example on existing base)
<b>Gross Council Tax Base £M</b>	£104	£105	£107	£112	£118	£125	£132	£139	£139
<b>Council Tax Support awarded £M</b>	£9.47	£8.99	£8.40	£8.48	£8.52	£8.84	£9.0	£9.6	£9.9
<b>CTR (Percentage of tax base)</b>	9.11%	8.56%	7.85%	7.57%	7.22%	7.07%	6.82%	6.9%	7.12%

## Legal Implications

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

Before making a scheme, the authority must:

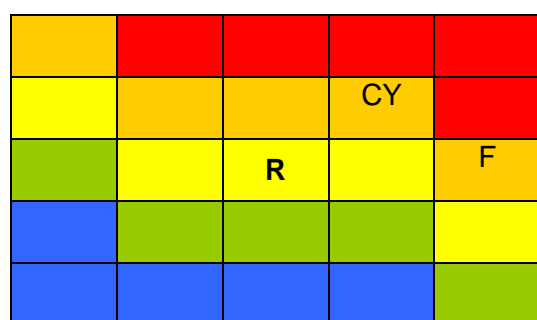
- (a) consult any major precepting authority which has power to issue a precept to it,
- (b) publish a draft scheme in such manner as it thinks fit, and
- (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

37. In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11<sup>th</sup> March of the year prior to the scheme coming into place.

## Risk Matrix

38. The risk matrix shows risk relating to the Council Plan headings.

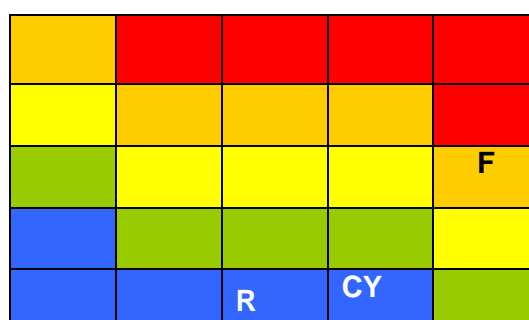
**Risk Profile before officer recommendations**



Likelihood



**Risk Profile after officer recommendations**



Likelihood



## Key

Categories	Colours (for further detail please refer to Risk management strategy)
R - Reputation	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	Insignificant impact and insignificant probability

## Council Plan Implications

39. Healthy Self-reliant Communities – supporting residents through national benefit changes including universal credit and supporting residents facing hardship.

## Carbon Emissions and Climate Change Implications

40. None associated with this report.

## Equality and Diversity Implications

41. A First Stage Equality Impact Assessment is included at Appendix 1

## Privacy Impact Assessment

42. None associated with this report.

## Background Papers

Appendix 1 – Equality Impact Assessment

Appendix 2 – Overview and Scrutiny Council Tax Support Task & Finish Report

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