

Report to: **Executive**
Date: **21 September 2023**
Title: **Proposed Changes to the Council Tax Reduction Scheme 2024/25**
Portfolio Area: **Leader – Cllr Brazil**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Upon the expiry of the call-in period – 5.00pm on Monday, 2 October

Author: **Lorraine Mullineaux** Role: **Principal Benefits Officer**

Contact: **lorraine.mullineaux@swdevon.gov.uk**

Recommendations:

That the Executive:

- 1. Approves the proposed public consultation on a Council Tax Reduction Scheme for 2024/25 (as detailed in section 3 of the report); and**
- 2. Requests that the results of the public consultation are presented back to Executive Committee prior to a Council Tax Reduction Scheme for 2024/25 being considered for approval by the Council.**

1. Executive summary

1.1 There is a requirement to have a Council Tax Reduction Scheme to support residents who qualify for assistance in paying Council Tax. The Local Government Finance Act 1992 requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of Council Tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

1.2 It is an annual requirement for Councils to review their existing Council Tax Reduction Scheme and make a decision whether to continue with the same scheme, replace or revise it.

- 1.3 The scheme has been reviewed annually and was updated in 2023/24 to provide further support to residents impacted by rising household budgets based on known impacts at the time. Whilst the long-term impact of COVID-19, the continued war in Ukraine and increases in energy costs and the cost of living generally are unknown, the Council considers it essential to provide additional financial support to our most vulnerable residents.
- 1.4 In order to make changes to our scheme for 2024/25 we are required by law to consult with major precepting authorities and other persons the Council considers are likely to have an interest in the operation of the scheme.
- 1.5 The final Council Tax Reduction Scheme must be adopted by the Council by 11 March 2024 and cannot be delegated to an officer or committee.
- 1.6 The two proposed changes to the scheme are to remove the Minimum Income Floor (MIF) and to disregard 100% of the 'Limited Capability for Work' element of Universal Credit.
- 1.7 These two changes will ensure that an estimated 629 individuals or families will receive additional financial support. The total cost of the proposed changes will be £236,409 with South Hams District Council's share of the total cost (8%) being £18,193.
- 1.8 The Council Tax Collection Fund is in surplus by £2.83m as at 31 March 2023. A distribution of the surplus will be made to all major precepting authorities as part of the 2024/25 Budget setting process. This can be a way of financing the additional cost of the 2024/25 Council Tax Reduction Scheme of £236,409.

2. Background

- 2.1 Council Tax Reduction (CTR) also known as Council Tax Support (CTS) was introduced in April 2013 and replaced the national Council Tax Benefit scheme incorporating a 10% funding reduction. The CTR scheme for working age residents is a local scheme, however the scheme that exists for pension age residents is a national scheme and cannot be varied locally. Therefore, any savings from the scheme must come from working age residents.
- 2.2 Local schemes must take account of:
 - Support for work incentives and in particular avoid disincentives for those moving into work;
 - Our duties to protect vulnerable people (these duties already exist under the Equality Act 2010, The Care Act 2014, Child Poverty Act 2010 and Housing Act 1996);
 - The Armed Forces Covenant.

- 2.3 In 2019, the Council introduced a banded scheme which assessed the maximum level of Council Tax Reduction based on the net income of the claimant and their partner, if applicable. The income bands were amended for the 2023/24 scheme with some bands being uplifted by 20% to reflect additional cost of living pressures.
- 2.4 Since 2013/14, the Council has absorbed the cost of the 10% initial reduction in funding set by the Government following the introduction of the Council Tax Reduction Scheme. This significant cut to funding has resulted in most Councils making changes to their local scheme to balance their budgets.
- 2.5 The following table sets out the annual expenditure and caseload since the banded scheme was introduced. It should be noted that the figures for April are always higher than the rest of the year, due to Universal Credit annual uprating taking place a month later in May, resulting in claimants receiving a higher discount in April.

	Total caseload	Working age caseload	Pension age caseload	Working age expenditure £	Pension age expenditure £	Total expenditure £
April 20	5,372	2,947	2,425	3,348,358	2,896,973	6,245,331
April 21	5,365	2,993	2,372	3,060,257	2,971,105	6,031,362
April 22	5,012	2,712	2,300	2,712,507	2,954,753	5,667,260
April 23	4,966	2,692	2,274	3,004,589	3,030,121	6,034,710

3. Proposed new scheme

- 3.1 With the increased pressure on household budgets as a result of the cost of living crisis, the Council recognises that it needs to continue to provide as much financial support as possible to residents that need it the most.
- 3.2 The new scheme proposes the following changes:

The removal of the Minimum Income Floor (MIF)

The Minimum Income Floor is where the scheme (following an exemption for the first 12 months) assumes a certain level of self-employed profit, which is linked to the national minimum wage, even if the resident didn't earn that amount.

Disregard 100% of the 'Limited Capability for Work' element of Universal Credit.

Currently residents in receipt of Employment and Support Allowance are treated as a passported claim and receive 85% CTR. When they transfer to Universal Credit they are awarded a Limited

Capability for Work element of £390.06 per month. Universal Credit is not a passported benefit and the Limited Capability for Work element is treated as income.

- 3.3 The current scheme penalises both those residents who are trying to set up their own business and those who move from Employment and Support Allowance to Universal Credit. The latter generates a lot of complaints and the Exceptional Hardship Fund has been used to manage this issue, however the fund is limited and, by making this change, we will be able to provide more support to residents with a disability or health condition which affects how much they can work.

4. Impact of current changes to the Scheme

- 4.1 Officers have modelled the impact of the changes outlined in Section 3 of the report. The modelling is shown in the following table.

	Current Working age expenditure £	Current Total expenditure (incl Pensioners) £	Working age expenditure £	Total expenditure (incl pensioners) £	Cost of proposed changes £	Cost to South Hams (8%)* £ (total of £18,913)
MIF modelled changes in July 2023	2,718,309	5,746,803	2,755,194	5,783,688	36,885	2,951
Disregard of Limited Capability for Work element of UC modelled in August 2023	2,657,218	5,681,529	2,457,694	5,881,053	199,524	15,962

* The proportion of an average Council Tax bill charged by South Hams District Council to fund the cost of our services is 8%.

- 4.2 The modelling estimates that the number of working age residents claiming Council Tax Reduction will remain constant with the current scheme and the overall cost of the scheme will be comparable with previous years.

4.3 The modelling shows the cost of removing the Minimum Income Floor will be £36,885. This will help 155 claimants, with self-employed income, as follows:

- 103 claimants will continue to receive the same amount of council tax reduction.
- 33 claimants will receive an additional weekly discount of up to £10.
- 13 claimants will receive an additional weekly discount between £10 and £20.
- 6 claimants will receive an additional weekly discount of above £20.

4.4 The modelling also shows that by disregarding the Limited Capability for Work element from the claimant's UC award would increase the scheme costs by £199,524. There are currently 474 claims that include the Limited Capability for Work element:

- 100 claimants will receive an additional weekly discount of up to £5.
- 236 claimants will receive an additional weekly discount between £5 and £10.
- 138 claimants will receive an additional weekly discount of between £10 and £25.

4.5 The total cost of the proposed changes will be **£236,409** with South Hams District Council's share of the cost (8%) being **£18,913**.

4.6 The proposed changes will ensure that an estimated 629 individuals or families will receive additional financial support.

5. Proposed Way Forward

5.1 The Executive approves going out to public consultation on the proposed changes to the current Council Tax Reduction Scheme from Monday 2 October 2023 to Sunday 12 November 2023.

5.2 The results of the public consultation exercise will be presented back to Executive, prior to a Council Tax Reduction Scheme for 2024/25 being considered for approval by the Council.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Welfare Reform Act 2012 abolished Council Tax Benefit and instead required each billing authority to design a scheme for working age residents

		<p>specifying the reductions which are to apply to amounts of council tax.</p> <p>All billing authorities in England are required to have a scheme identifying the reductions payable by residents who are in financial need under Section 13A of the Local Government Finance Act 1992 (updated in 2012). Schedule 1A paragraph 5 of the Act states that for each financial year, Councils must consider whether to revise their scheme or replace it with another scheme and that such decisions need to be made by 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make/revise its scheme by 11 March 2024, a default scheme will be imposed on the Council which will be effective from 1 April 2024.</p>
Financial implications to include reference to value for money	Y	<p>The cost of the Council Tax Reduction Scheme is met by South Hams District Council, and the major precepting authorities, in proportion to their share of the council tax.</p> <p>Previous CTR schemes have always been modelled on a cost neutral basis, in that the cost of the scheme was the equivalent of the level of Government funding.</p> <p>Removing the Minimum Income Floor and disregarding the Limited Capability for Work element will increase the cost of the scheme by around £236,409. The scheme is projected to cost £5.918 million as opposed to the current cost of £5.682 million. SHDC's share of the increase in cost is around 8% of this i.e., £18,913.</p> <p>The Council Tax Collection Fund is in surplus by £2.83m as at 31.3.2023. A distribution of the surplus will be made to all major precepting authorities as part of the 2024/25 Budget setting process. This can be a way of financing the additional cost of the 2024/25 CTR scheme of £236,409, as although the scheme will cost more, preceptors will be receiving a larger distribution of a collection fund surplus than usual due to the level of the surplus on the fund.</p>
Risk	Y	<p>To reduce the cost to the Council, changes would have to be made to the level of support made to working age claimants. Most local authorities have already incorporated a reduced level of support into</p>

		<p>their local schemes which should be reviewed on an annual basis.</p> <p>There is a risk that the cost of maintaining the current local scheme will increase if the number of claimants increase due to the state of the local and national economy. This is particularly relevant now due to any likely impact of the cost of living crisis which may result in an increase in the working age council tax reduction caseload.</p>
Supporting Corporate Strategy	Y	<p>Supporting the Council's response to the cost of living crisis.</p> <p>Supporting the Council's Quality Council Services</p>
Consultation & Engagement Strategy	Y	<p>We will consult with major precepting authorities regarding the proposed changes to the scheme. We will also undertake public consultation to seek the views of other persons who have an interest in the scheme.</p>
Climate Change - Carbon / Biodiversity Impact	N	<p>No direct carbon/biodiversity impact arising from the recommendations.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		<p>Equality Impact Assessments will be completed if required.</p>
Safeguarding		<p>None as a direct result of the report, however the recommendations may help keep vulnerable adults and children safe.</p>
Community Safety, Crime and Disorder		<p>None as a direct result of the report, however the recommendations may reduce crimes such as domestic violence.</p>
Health, Safety and Wellbeing	Y	<p>Financial wellbeing is crucial to our residents and the recommendations in this report are designed to support this.</p>
Other implications		<p>None.</p>

Supporting Information

Appendices:

None

Background Papers:

None