

COMMUNITY
24 JANUARY 2023

COUNCIL TAX REDUCTION – BANDED SCHEME

Cabinet Member(s): Cllr Bob Deed
Responsible Officer: Andrew Jarrett – Deputy CEO & S151

Reason for Report: Section 13A (2) of the Local Government Finance Act 1992 requires the Council as the billing authority to make a localised Council Tax Reduction Scheme in accordance with Section 1A of the act.

The Council is looking to amend the current scheme in order to expand the assistance for our customers.

Introduction

In April 2020 Mid Devon District Council introduced an Income Banded Scheme to support people on low incomes by reducing the amount of Council Tax they had to pay and to improve the administrative process for assessment.

The Council Tax Reduction scheme is determined locally by District Councils rather than the Department of Work and Pensions. We have had no funding from Central Government since 2020 though a separate Central Government scheme is retained for people of pension age so proposed changes will only affect working age residents

Mid Devon District Council is proposing the following revisions to the current Income Banded scheme from 1 April 2023

RECOMMENDATION:

- 1) TO INCREASE THE MAXIMUM REDUCTION FROM 85% TO 100%**
- 2) DISREGARD THE HOUSING ELEMENT OF UNIVERSAL CREDIT IN THE CALCULATION**
- 3) INCREASE THE INCOME BANDS BY INFLATION each year**
- 4) ANY INCOME FROM WELFARE PROVISION TO BE DISREGARDED**
- 3) TO RECOMMEND THIS POLICY IS ADOPTED BY MID DEVON DISTRICT COUNCIL CABINET**

Financial Implications: The cost of the current scheme is increasing, expanding the reduction to 100% will reduce the ongoing arrears of our residents least able to pay. Increasing the income bands will give reduced bills where the propensity to pay will increase. Reduced production of Reminder notices and associated costs with enforcement action through the courts. An Exceptional hardship scheme will allow those under the banded scheme to apply for additional assistance if needed.

Legal Implications: The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefit and brought in instead, localisation of Council Tax Support under the Local Government & Finance Act 2012 from 1 April 2013. This Act made councils responsible for administering their own Council Tax Support Schemes. Councils are required to review their schemes annually and Full Council must make a decision as to whether to revise or replace the scheme.

Risk Assessment: Should the proposed scheme not be agreed there is a risk of reduced collection rates and an increase in overall arrears. The current scheme has not been fully reviewed since its introduction in April 2020 and needs updating to reflect the financial concerns being experienced by many people.

Equality Impact Assessment: The Revenues and Benefits service constantly monitors the issues affecting claimants on Council Tax Reduction. The banded scheme has been developed to support our most vulnerable customers in the ever changing landscape of welfare reform.

Universal Credit changes in circumstances issued by the Department of Work and Pensions (DWP) have increased as the migration continues, the inclusion of the housing element of Universal Credit in the assessment for rebate has had a direct impact on Council Tax Reduction scheme and the amount customers receive.

The impact has been reviewed for the 2023/24 financial year. It is apparent that unless changes are made to the scheme our customers in receipt of Universal Credit will receive bills that are disproportionately higher than those claimants in receipt of housing benefit which is disregarded under the current scheme.

Having reviewed our scheme and taken into consideration funding, Council Tax arrears, cost of living crisis Universal Credit and the impact of wider welfare reform Mid Devon Council recommends that the revised Banded Scheme starts from 01/04/2023

Further detail can be seen on the Equality Impact Assessment attached to this report.

Relationship to Corporate Plan: Making sure that the “public purse” is used in an economic way.

Impact on Climate Change: This policy has no known detrimental effect on climate change. The administration will be almost paperless and administered electronically where possible. As such it's considered to have a positive effect and will reduce the amount of paper currently used.

1.0 Introduction/Background

- 1.1 Council Tax Reduction (CTR) Banded Scheme was introduced in April 2020. The CTR scheme for working-age customers is a local scheme, however the scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally.
- 1.2 Councils are required to consult fully on any changes they would like to bring into place within the scheme.
- 1.3 It is proposed to adopt the revised scheme from 1 April 2023.

1.4 All Devon Billing Authorities (with the exception of Torridge District Council) operate similar Banded Schemes, this is also the case nationally.

2.0 CTR – Drivers for Revision

2.1 Universal Credit Migration.

2.2 Loss of joint Housing Benefit/Council Tax Reduction Claims.

2.3 Greater support for households in the lowest income band.

2.4 Inflation increase to the current banding levels.

2.5 Digital and Self – Service Transformation – Citizen Access.

2.6 Potential for full automation saving complex processing work – Officers can focus on other tasks/areas.

2.7 Financial crisis

3.0 Options

Option 1 - Retain Current scheme

3.1 No additional help for those in the lowest band

3.2 UC claimants will continue to have housing element counted as income.

3.3 Inflation ignored

3.4 Increased administration to accommodate welfare provision disregards

Option 2 - Move to Revised Banded Scheme

3.5 Administration savings due to the expansion of bands.

3.6 Reduced enforcement action

3.7 1265, 69% customers will have full entitlement.

3.8 Scheme is simplified.

3.9 Customers should be able to work out their entitlement before applying.

3.10 Potential for customers to 'self-serve'.

3.11 Consistent with other Councils in Devon and Country wide.

4.0 Summary of Impact as at 13/12/2022

Customers can apply for help via the Hardship Policy if their entitlement is causing them financial concern. Customers will be notified of changes due to the new scheme, they will be advised on what help can be applied for understanding that 'vulnerability' must and will be recognised by Mid Devon Council

Scheme	Total Annual award for working age claims	Number of working age claims	Number of Gainers	Numbers of Losers	No Change	Lost Claims
Current	£3,998,789.27	2015	0	0	0	0
Revised	£4,512,261.93	1825	1265	0	0	0

5.0 Banded Scheme

Current scheme

CTR discount	Passported	Single	Couple	Family with 1	Family with 2+
85%	Yes	0 – 75	0 – 120	0 – 200	0 – 260
65%	N/A	75.01 – 120	120.01 – 160	200.01 – 250	260.01 – 310
45%	N/A	120.01 – 170	160.01 – 210	250.01 – 300	310.01 – 360
25%	N/A	170.01 - 220	210.01 - 260	300.01 - 350	360.01 - 410

Details of scheme for 100% + removal of UC HE + inflation.

CTR discount	Passported	Single	Couple	Family with 1	Family with 2 +
100%	Yes	0 - 85	0 - 130	0 - 210	0 - 270
65%	N/A	85.01 - 130	130.01 - 170	210.01 - 260	270.01 - 320
45%	N/A	130.01 - 180	170.01 - 220	260.01 - 310	320.01 - 370
25%	N/A	180.01 - 230	220.01 - 270	310.01 - 360	370.01 - 420

Customers can see at a glance what % reduction they would get in accordance with their net income off their Council Tax. Increases and decreases in income should mainly stay with the bands,

6.0 What is Changing

- 6.1 Increases maximum award from 85% to 100% to all passported claims and those in the lowest income band.
- 6.2 Ignores housing element of UC.
- 6.3 Inflation increase to bands.
- 6.4 Streamlines billing and enforcement, reduced bills, reminders and prosecution.

7.0 Key Impacts

- 7.1 Customers on lowest income will no longer have to pay a charge.
- 7.2 Officers will have more time to pursue collectable debt.
- 7.3 Customers more likely to pay due to having reduced bills.
- 7.4 Hardship policy to allow those who require additional assistance to access it.

8.0 Rationale for Change

- 8.1 Over 29% of CTR cases have Council Tax Arrears.
- 8.2 Fewer referrals to our Welfare Officer
- 8.3 Revisions better align with our neighbouring districts
- 8.4 Recognises vulnerable groups.
- 8.5 Inflation increase to bands will provide additional assistance.
- 8.6 Helps stakeholders such as CHAT and CAB to advise customers on reductions that could be claimed.

9 Consultation with the public and Preceptors 1127 issued

Survey Question	Surveys Received 1127	Survey Results
Do you agree with revising the income-based banded discount scheme?		
	Yes	No & skipped
	80%	20%

Mid Devon had a very good response by receiving 1124, however it must be noted that not all questions were answered by everyone.

	Agreed/disagreed	comments
Devon & Somerset Fire & Rescue Service	Agreed	
Devon County Council	Disagreed	Adverse impact on income for County
Police & Crime Commissioner	Agreed	

Contact for more Information: Fiona Keyes Operations Manager Revenues and Benefits – 01884 234329 / fkeyes@middevon.gov.uk

Circulation of the Report: Leadership Team, Cllr Bod Deed, Community PDG and Cabinet

List of Background Papers: Hardship Policy, Equality Impact Assessment, CTR Policy