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Proposed Council Tax Reduction Scheme

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1. Summary

- 1.1 Currently the four existing Somerset districts operate different Council Tax Reduction (CTR) schemes. The creation of the new Somerset Council means that we need to align to a single CTR scheme. This report outlines the proposed new Council Tax Reduction scheme for the new Somerset Council. The proposed scheme has been finalised following a full public consultation exercise and is explained in the report below. The formal scheme document is included at Appendix D.
- 1.2 Under the Council Tax legislation the decision to implement a new scheme must be taken by Full Council and recommendations will be made to Council on 23rd November 2022. The Executive are asked to consider the proposed scheme and make recommendations to Full Council.
- 1.3 If agreed the new scheme will come into effect from 1st April 2023.
- 1.4 Each year all Councils are required to review their Council Tax Reduction (CTR) Scheme for working age people in accordance with the requirements of schedule 1A of the Local Government Finance Act 1992 and to either maintain the existing scheme or replace it.
- 1.5 Councils do not need to make any decision in relation to pension age applicants as that scheme is prescribed by Government and is operated by all English authorities in a similar way.
- 1.6 Unlike most authorities, the formation of the new Council from the existing districts means that a **single** scheme needs to be agreed which will be implemented across the whole of the Somerset area.
- 1.7 Council Tax Reduction 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.
- 1.8 As with the majority of authorities within England, the Council also needs to make changes to the CTR scheme for working age applicants in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.
- 1.9 The projected cost of the new scheme, based on current claim volumes and current year Council Tax amounts, is £33.187m. This is slightly lower than the actual spend for 2021/23. In addition, it is recommended that we make provision for £500k Exceptional Hardship awards during the first year of the new proposed scheme. This is higher than

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in previous year to provide greater provision to assist any claimants who are seeing a reduction in the amount of support awarded.

2. Background

- 2.1 Council Tax Reduction (CTR) 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.
- 2.2 Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and into the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Government sources.
- 2.3 The Council Tax Reduction schemes administered by all of the current districts are divided into two, with pension age applicants receiving support under the rules prescribed by statute, and the scheme for working age applicants being determined solely by each individual district.
- 2.4 Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. No authority has power to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.
- 2.5 When Council Tax Reduction was introduced in 2013, for working age applicants, the districts broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Since that time however, each district has made changes to the working age provision to a greater or lesser extent.
- 2.6 Two districts (Somerset West & Taunton and South Somerset) have fundamentally changed their approach for working age applicants by introducing simplified 'grid/banded' schemes.
- 2.7 A high level summary of the working age schemes operated by each district is shown in Table 1 below:

Table 1

	Mendip	Sedgemoor	Somerset West & Taunton	South Somerset
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	Mendip	Sedgemoor	Somerset West & Taunton	South Somerset
Working Age Scheme				
Type of Scheme	Means Test	Means Tested	Grid	Grid
Grid Levels	N/A	N/A	80/70/55/40/25/10	100/75/40/25
Maximum Level of Support	80%	85%	80%	100%
Band Restriction	No	Band D	Band D	No
Capital Level	£16,000	£16,000	£6000	£6,000

2.8 It can be clearly seen from Table 1 that each district currently runs a distinctly different working age scheme. This cannot continue and the new authority needs to adopt a common approach (a single unified scheme) across the whole area with effect from 1st April 2023.

The main issues with the current scheme

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

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

2.10 Each of the above are examined in detail below:

The need to assist low-income households and to aid the collection of Council Tax

2.11 Since 2013, the introduction of Council Tax Reduction, the majority of authorities, including the Somerset districts have required all working age applicants to pay a minimum payment. Three of the existing districts still require working age applicants to pay a minimum amount (the greatest being 20%). Only South Somerset allows working age applicants up to 100% support and this was effective from 1st April 2021.

2.12 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.

2.13 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 Reduction, 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 having to be written off as uncollectable.

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- 2.14 The costs of administration of these cases by all Councils has increased significantly over the years. These costs are borne solely by the Council. With the difficulties experienced, the relatively low level of payment and the high administration costs incurred, it no longer makes these amounts economically viable to collect. Notwithstanding the negative effects to those poorest households.
- 2.15 Experience from authorities who have increased the level of support to that proposed by the scheme is that the bad debt provision (within the collection fund) can be reduced by up to 25%. In addition, once increased, any payments made by low income households go directly to reduce any arrears outstanding.

Council Tax Reduction and the roll out of Universal Credit

- 2.16 The introduction of Universal Credit within the Somerset area has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction 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 Reduction leading to a loss in entitlement;
 - A high number of in claim changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Reduction 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 time being needed.
- 2.17 It is clear that the existing means tested Council Tax Reduction schemes operated within Mendip and Sedgemoor, which are too reactive to the frequent changes in Universal Credit entitlement, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area and with the massive increase in Universal Credit claimants due to the COVID-19 crisis. The move to a new more efficient scheme from 2023 is now imperative.

The need for a simplified approach to the Council Tax Reduction Scheme.

- 2.18 Notwithstanding the introduction of Universal Credit, the existing means tested schemes in operation have major defects, namely:
- They are complex for customers to understand and are 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 timescale for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
 - The administration of the schemes is costly when compared to other discounts for Council Tax.

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2.19 Clearly there is a need now to introduce a simplified scheme across the whole of the Somerset area, not only to align all four schemes but also to mitigate the effects of Universal Credit, to make it easier for customers to make a claim and to significantly reduce the costs of administration.

3. Recommended approach for the 2023/24 Council Tax Reduction Scheme

3.1 In view of the above it is recommended that a simplified banded / income approach be implemented as the working age scheme for the new Somerset Council. The approach has been designed to:

- (a) Maximise the level of support available to the poorest households;
- (b) Minimise the impact of the problems associated with the introduction of full-service Universal Credit; and
- (c) Minimise the impact on administration costs due to the high level of changes received in respect of Universal Credit.

3.2 Work has been ongoing since early this year on a new scheme which is now complete. Consultation has also been undertaken with the public and the major precepting authorities. The proposed new aligned policy is set out below and in Appendix D. If accepted by the Council, the new scheme will take effect from 1st April 2023.

3.3 The proposed new scheme has a number of key features as follows:

- More support will 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 schemes will be replaced by a simple income grid model as shown below:

Band	Discount (%)	Single person	Single person with one child	Single person with two children	Couple with no children	Couple with one child	Couple with two children
1	100	£0 - £95	£0 – £160	£0 - £220	£0 - £140	£0 - £200	£0 - £260
2	75	£95.01 - £155	£160.01 - £220	£220.01 - £290	£140.01 - £210	£200.01 - £260	£260.01 - £330
3	40	£155.01 - £190	£220.01 - £255	£290.01 - £370	£210.01 - £260	£260.01 - £295	£330.01 - £410
4	25	£190 - £235	£255.01 - £290	£370.01 - £480	£260.01 - £310	£295.01 - £330	£410.01 - £520
	0	Over £235	Over £290	Over £480	Over £310	Over £330	Over £520

- It is recommended 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

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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 restriction on Council Tax band level;
- There will be no charges made where an applicant has 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 a week disregard will be provided against all earnings This will take the place of the current standard disregards and additional earnings disregards. Where a family also receives a childcare disregard (for childcare costs not paid for by Central Government schemes), the income levels in the 'grid scheme' are set at a higher rate;
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- Where any applicant, their partner or dependant child(ren) are disabled, a further disregard of £30 a week 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 as income;
- An amount in respect of the housing element, within Universal credit will be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed; and
- The capital limit of £6,000 with no tariff (or assumed income) being applied.

NB. The policy allows for the Council to review and increase, where necessary, the income levels within the above grid annually in line with inflation.

How the new scheme will address the problems with the current Council Tax Reduction

3.4 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 Reduction 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 Reduction. Where information is received from DWP, the entitlement to Council Tax Reduction 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;

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- **Maximising entitlement to every applicant.** There will be no requirement for Universal Credit applicants to apply separately for Council Tax Reduction. For all other applicants, the claiming process will be simplified significantly. This will help to maximise entitlement to Council Tax Reduction and will reduce the 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 discount.** Two of the current Council Tax Reduction schemes are very reactive and will alter even if the resulting overall change to the person's Council Tax 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 Reduction 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.

The impact on claimants of the new scheme

- 3.5 We are through necessity having to create a single new scheme for the new council to replace the four existing and very different schemes. In doing so we are seeking to balance the overall cost of the new scheme to Somerset Council Taxpayers as whole, whilst minimising any detrimental impact on existing claimants. We have quite consciously built in proposals to protect the most financially vulnerable by proposing to pay 100% to those claimants whose income is below the upper threshold in band 1 or where they get a passported benefit (those on Income Support, income-based Jobseekers Allowance or income-related Employment and Support Allowance). However, this is not a perfect science and inevitably there will be both winners and losers.
- 3.6 Initial modelling was based on lower income band thresholds. Data produced from this modelling indicated that a larger number of families would receive less or no support. Consequently we amended the income bands to ensure that more families retained support, whilst also seeking to minimise any overall increase in the cost of the scheme.
- 3.7 We have undertaken detailed analysis to understand the impact of the proposed new scheme with the amended income bands on existing claimants across the four district areas. This analysis is attached at Appendix C.
- 3.8 In summary the analysis indicates that:
- 98% of those claimants who currently get CTR will continue to get some CTR from April 2022;

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- 15,008 (75%) of claimants are receiving either the same amount of support or are better off under the proposed scheme;
- Of which 9,435 (47%) are better off under the proposed scheme;
- 4,936 (25%) claimants are worse off, although the majority of these, 3,069, are only seeing a reduction of below £5 per week; and
- 759 claimants will drop out of the scheme altogether. These are mainly single people or households with large numbers of children who currently receive a small reduction on the Council Tax through CTR.

3.9 We have also undertaken more detailed analysis to better understand the areas that would see a reduction in the amount awarded or would fall out of the scheme. This indicates the following claimants would be adversely affected:

- Anyone with over £6,000 in savings or capital who is not on a passported benefit;
- Larger families with significant numbers of children (because the income grid only provides allowances for up to two children); and
- Those paying significant amounts of child care costs (where the current district's schemes allow some of these costs to be offset against a claimant's earned income).

We could minimise or remove the reductions in these cases by altering the parameters (i.e. by increasing the savings or capital limit, increasing the number of children we allow for or offsetting child care costs). However, doing so is likely to significantly increase the overall cost of the scheme and may increase the complexity of the scheme and consequently administration costs.

3.10 Where claimants are adversely affected by the removal or reduction of their CTR, we can consider reducing their Council Tax by way of an Exceptional Hardship payment, as detailed below.

Exceptional Hardship Scheme

3.11 We are in the process of developing an Exceptional Hardship Scheme to support the Council Tax Reduction Scheme and to enable us to provide discretionary support to individuals who experience exceptional hardship. This scheme will be brought to Scrutiny and Executive early in the new year for consideration and approval.

3.12 Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment under the scheme. It is proposed that the scheme will allow us to 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.

3.12 This approach will enable individual applicants to be dealt with in a fair and equitable manner. Any exceptional hardship payments made will be paid through the Collection Fund.

3.13 Currently, under a number of the existing district Council Tax Reduction schemes we receive Hardship applications from claimants on the lowest incomes who only receive

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maximum support of 80% or 85% under those schemes. Under the new proposed CTR scheme we will no longer receive applications from this group as they will receive 100% support. In 2021/22 we spent £182k on Exceptional Hardship awards across the four districts.

- 3.14 However, it is reasonable to anticipate an increase in the number of Hardship claims in 2023/24 given that there will be a number of existing claimants who will see a reduction in or lose support under the proposed new CTR scheme and as a result of the cost of living crisis. Consequently, we recommend making provision for Hardship payments for next year in the region of £500k. This estimate balances an anticipated reduction in claims from people on the lowest incomes, who will receive 100% CTR from 1 April 2023, against an increased volume in claims from existing claimants who see a reduction in the level of support provided.

4 Recommendations

- 4.1 The Executive are asked to consider the proposed policy, as outlined above and in Appendix D, and make recommendations for the agreement of an aligned policy to Full Council on 23 November 2022.

5 Other options considered

- 5.1 Given that there is a requirement to implement a single scheme within the whole of the new Council's area, there is no option other than to create a new scheme.
- 5.2 The move to a discount based modernised scheme is the most progressive and will enable a future proofed low administration approach.
- 5.3 Increasing the overall maximum level of support to 100% will significantly assist low income working age families.

6 Links to County Vision, Business Plan and Medium-Term Financial Strategy

- 6.1 The corporate priorities for the new council are emerging but not yet agreed. It is reasonable to assume however, that the new Council will wish to protect the vulnerable. These proposals maximise the level of support available to the poorest working-age households and consequently contributes toward this anticipated aim.
- 6.2 The agreement of a single Council Tax Reduction scheme is required as a result of the decision to create a single unitary council. The scheme proposed is designed to minimise the detrimental impact on customers of aligning the four existing district schemes, maximise the level of financial support to low income working age families, provide for a simpler scheme from the claimant's perspective and minimise administration. Modelling, based upon current caseload and Council Tax levels and taking into account the proposed Council Tax discount changes, indicates that the proposed scheme can be delivered without adding to the budget pressures.

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7 Consultations and co-production

- 7.1 A full consultation has been undertaken in line with the statutory requirements with:
- The Avon & Somerset Police Commissioner
 - Devon & Somerset Fire and Rescue, Fire and Rescue; and
 - The public

The public consultation exercise ran from 25th July 2022 to 18th September 2022.

- 7.2 The full public consultation is attached at Appendix B, which details the questions asked and summarises the responses. In addition, this document contains a summary of the key themes of the additional comments received from respondents.
- 7.3 No responses were received from the other major precepting authorities.
- 7.4 The consultation exercise was publicised through a wide variety of channels so as to maximise the ability of people to respond. We also contacted other organisations such as city, town and parish councils together with organisations in the voluntary sector such as Citizens Advice. The responses were mainly via the website, but we also offered the ability to complete paper copies and an assisted completion service. Additional demographic data collected with the responses indicates a good spread of responses both geographically and across the different age ranges.
- 7.5 Consultation exercises for Council Tax Reduction schemes are quite complex as we need to consult on the detail of the schemes. Despite this the response rate for this consultation exercise was good and in total we received 1,184 responses. In addition, the responses we received indicated a high degree of support for the proposed scheme.
- 7.6 The responses were kept under close review throughout the consultation period and additional actions to encourage take-up were undertaken throughout. A final review was completed on 20th September 2022 following the end of the consultation period on 18th September 2022. No significant changes to the proposed scheme have been made following the consultation, which is supportive of the proposals. However, minor adjustments have been made to the income bands for couples with one child and couples with two or more children, to take account of IT software limitations in one of the existing authority computer systems.

8 Financial & Risk Implications

Financial implications

- 8.1 The cost of the current Council Tax Reduction schemes run by the four districts for last year (2021/22) was approximately £33.241m at 31 March 2022. In addition, a further £0.182m was spent on discretionary Exceptional Hardship payments. The cost of both

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is borne by the Collection Fund and shared between the Council and the Major Precepting Authorities in the following proportions:

- Somerset County Council & the Districts (82%)
- Police and Crime Commissioner (13%); and
- Fire and Rescue Service (5%).

8.2 The proposed new scheme is more generous than some of the existing district schemes. The cost of running the proposed new scheme, based on current caseload (August 2022) and the current financial year's Council Tax charges is approximately £33.187m. This amount is actually **less** than the cost for last year's scheme due to reductions in caseload. So, based on the current caseload, the new scheme does not increase the overall cost of the scheme, whilst enabling us to increase the support provided to those on the lowest incomes.

8.3 Over the past six years we have seen a trend in overall caseload reduction, particularly in relation to pension age claims. It is clear that this trend will continue irrespective of the cost of living crisis. It is anticipated that a large number of pension age cases will no longer qualify if Government increase pensions and particularly if they retain the 'triple lock'. It should be noted that the Council has no ability to change the Council Tax Reduction scheme for pension age applicants as this is prescribed by Government.

Year	CTR caseload
2016/17	35,322
2017/18	34,090
2018/19	34,591
2019/20	34,381
2020/21	35,012
2021/22	34,015
Current	33,011

8.4 The proposed scheme also includes the provision of £500k to cover the anticipated cost of discretionary Exceptional Hardship payments. This budget provision is higher than the amount spent in 2021/22, as it is reasonable to anticipate an increased volume of applications in the first year of the new scheme from those claimants who are seeing a reduction in or losing support and in view of the cost of living crisis. However, we will no longer receive hardship applications from people on the lowest incomes as the proposed future scheme will award them a 100% reduction. This will help to offset some of the Hardship costs.

8.5 The table below summarises the net impact on the Council Tax Collection Fund for 2023/24 of the proposed Council Tax Reduction scheme detailed above together with the estimated costs of the Exceptional Hardship scheme. The increased estimate for Exceptional Hardship payments for 2023/24 does make the projected overall cost of the scheme slightly more (£264k) than the overall costs for last year (2021/22). However, paying 100% CTR to those on the lowest incomes will, based on the evidence from other authorities who do so, have a positive effect on collection rates and in reducing our bad debt provision. Experience elsewhere suggests that the bad debt provision can be reduced by up to 25%.

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8.6 For completeness, the table also details the figures relating to the proposed Council Tax discount changes in order to show the net impact on the collection fund. Taken together these proposals provide net additional income totalling £1.57m. The benefit of this income is split proportionately across the major precepting authorities, in the proportions detailed above. (NB. The Council Tax discount changes are detailed in a separate report).

	£000
2021/22 Council Tax Reduction scheme cost as at 31 Mar 2022	£33.241
2021/22 Exceptional Hardship Scheme cost as at 31 Mar 2022	£0.182
TOTAL CTR cost for 2021/22	£33.423
Projected Council Tax Reduction scheme cost for 2023/24	£33.187
Projected Exceptional Hardship scheme cost for 2023/24	£0.500
TOTAL projected CTR cost for 2023/24	£33.687
PROJECTED net additional CTR scheme cost	£0.264
Projected additional income from removing the class C discount	£1.309
Projected additional income from removing the Class D discount	£0.941
Projected additional cost of the Foster Carers discount	£0.415
Net additional INCOME from the Council Tax discount proposals	£1.835
Projected total additional INCOME for the Council Tax Collection Fund	£1.571

Note: The projections for the 2023/24 CTR scheme cost detailed above are based on current financial year Council Tax charges and caseloads as at August 2022. The Council Tax discounts figures have been calculated using data from October 2022.

Risk implications

8.7 Set out below are the key risks and mitigating action identified both in respect of not agreeing to a new Council Tax Reduction scheme and in developing a new scheme.

Risk	Mitigation
Cause: Failure to agree to a new single Council Tax Reduction scheme for 2023/24	We have developed a new single scheme to provide a common approach across the new council area. We have procured

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<p>Impact: The Council would have to agree to extend the four existing district schemes, which are fundamentally different. Essentially this would create a 'postcode lottery' in terms of the amount of support claimants would receive and potentially leave the council open to legal challenge.</p>	<p>a specialist Revenues & Benefits consultant, David Airey of ACS Ltd, to work with us in developing, consulting & modelling the scheme.</p>
<p>Cause: The new scheme rules result in a significant increase in the total amount of Council Tax reduction awarded as a proportion of the overall Council Tax charged.</p> <p>Impact: Creates additional budget pressures and / or results in the need for a higher council tax precept.</p>	<p>We have undertaken detailed financial modelling to understand the impact of the proposed new scheme on the budget. We have procured a specialist Revenues & Benefits consultant, David Airey of ACS Ltd, to work with us in developing & modelling the scheme.</p>
<p>Cause: The application of the new scheme rules results in significant reductions in the amount of Council Tax Reduction awarded to existing claimants.</p> <p>Impact: This has a significant detrimental impact on wellbeing, increases collection costs and results in higher write-off amounts.</p>	<p>We're aiming to provide more assistance to those on the lowest incomes and have undertaken detailed modelling to understand the impact of the new scheme rules in different circumstances. In addition the new scheme will include a discretionary awards scheme for use in exceptional circumstances. We have procured a specialist Revenues & Benefits consultant, David Airey of ACS Ltd, to work with us in developing & modelling the scheme.</p>

9 Legal and HR Implications

- 9.1 Schedule 1A (3) of the Local Government Finance Act 1992, states:
Before making a scheme, the authority must:
- consult any major precepting authority which has power to issue a precept to it,
 - publish a draft scheme in such manner as it thinks fit, and
 - consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 9.2 In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11th March of the financial year prior to the scheme coming into place.

10 Other Implications

Equalities Implications

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- 10.1 Consideration has been given to our obligations under the Public Sector Equality Duty in developing the proposed scheme. Modelling has been undertaken of different options to provide data to inform the development of the proposals. This has enabled us to analyse the impact according to age, disability, family circumstance and level of income. This data has been used to inform the development of the proposed scheme.
- 10.2 Elements of the proposed scheme do impact directly on protected groups, specifically:
- Age – the scheme for pension age people is mandated by Government and is unchanged by these proposals. The working age scheme provided for in these proposals is open to all people of working age;
 - Disability – an income disregard of £30 per week together with a disregard of any Personal Independence Payments or Disability Living Allowance received has been built into the proposed scheme to recognise the additional costs for households containing people with a disability;
 - Marriage and civil partnership – the scheme is designed to take into account the higher living costs of couples and allows for these higher living costs in the determination of the claim;
 - Sex – claim data identified that we have more female recipients of support than male recipients. These are made up of single people, lone parents or are claiming as part of a couple. Sex is not a factor used to determine the amount of support awarded. We have designed the scheme to maximise awards of support to those on the lowest incomes and also to minimise the impact of aligning the districts schemes across the different demographics; and
 - Other e.g. carers, veterans – specific disregards have been built in for carers and veterans to disregard specific allowances or pensions.
- 10.3 We have considered the other protected groups when developing the scheme, but did not identify any specific additional criteria in respect of these groups. The characteristics of the other protected groups are not taken into account in the assessment of claims for Council Tax Reduction. The scheme is open to all of working age to apply for and, subject to the specific provisions for the groups outlined above, ensures that claims are assessed and determined fairly.
- 10.4 It is recognised that in aligning the existing district schemes that there will be people who benefit and those who are worse off. Extensive modelling was undertaken to ensure that the changes did not impact specifically on protected groups. The proposed scheme also provides for an Exceptional Hardship Scheme to allow us to make discretionary payments to people who are suffering hardship as a result of losing support.
- 10.5 The move to the new scheme will either have a neutral or positive affect to the majority of working age claimants. Under the proposed scheme, 98% of those currently getting CTR will continue to receive support with the majority receiving the same or more support.
- 10.6 Up to 759 claimants will go from receiving some CTR to getting nothing. Where these claimants will be adversely affected by the removal of their CTR award, we will

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encourage them to apply for further support, if required, through the exceptional hardship scheme.

- 10.7 There is no evidence that any protected group is adversely affected by the proposed change, or make up a large percentage of those having support withdrawn altogether. A full EIA is attached within this report at Appendix A.

Community Safety Implications

- 10.8 The proposed scheme will provide a greater level of financial support to claimants on the lowest incomes, as well as providing for a simpler scheme with far fewer recalculations of Council Tax liability. This should have a positive impact on quality of life and wellbeing.

Sustainability Implications

- 10.9 The proposed scheme will be a simpler scheme to administer, will remove the need for claimants on Universal Credit to separately claim for the Council Tax Reduction and will result in less frequent changes in Council Tax liability. Collectively this results in far fewer letters and paper forms and less activity in terms of making changes to accounts.

Health and Safety Implications

- 10.10 This proposal has no Health & Safety implications.

Health and Wellbeing Implications

- 10.11 The proposed scheme will provide a greater level of financial support to claimants on the lowest incomes, as well as providing for a simpler scheme with far fewer recalculations of Council Tax liability. This should have a positive impact on things such as wellbeing, mental health and reducing inequality.

Social Value

- 10.12 The proposed scheme will provide a greater level of financial support to claimants on the lowest incomes, as well as providing for a simpler scheme with far fewer recalculations of Council Tax liability. This should have a positive impact on general wellbeing.

11 Scrutiny comments / recommendations:

- 11.1 Scrutiny for Policies and Place considered these proposals on 11 October 2022.
- 11.2 Scrutiny were broadly supportive of the proposals but requested that more detail be added to the report to provide:

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- i) More information to support the positive impact on collection rates, collection costs, reducing write-offs etc. of increasing the maximum award to 100% for those on the lowest incomes;
- ii) More information regarding the impact of the proposed new scheme on existing claimants;
- iii) An estimate of the potential cost of the Exceptional Hardship element of the scheme; and
- iv) More information regarding ongoing reductions in caseload.

12 Background Papers

12.1 The Council Tax Reduction Scheme consultation report which went to [Executive 11 July 2022](#) and the Council Tax Reduction Scheme proposal report that went to [Scrutiny for Policies and Place 11 October 2022](#).

Report Sign-Off

		Date completed
Legal Implications	Tom Woodhams	8 Nov 2022
Governance	Scott Wooldridge	7 Nov 2022
Corporate Finance	Jason Vaughan	7 Nov 2022
Customers, Digital and Workforce	Chris Squire	7 Nov 2022
Property	Paula Hewitt / Oliver Woodhams	2 Nov 2022
Procurement	Jason Vaughan	8 Nov 2022
Senior Manager	Jason Vaughan	7 Nov 2022
Commissioning Development	Sunita Mills / Ryszard Rusinek	02/11/22
Executive Member	Cllr Liz Leyshon – Lead Member for Finance & Human Resources	7 Nov 2022
<u>Consulted on report</u>		
Local Member	N/A	
Opposition Spokesperson	Cllr Mandy Chilcott	2 Nov 2022
Scrutiny Chair	Cllr Gwil Wren	2 Nov 2022

APPENDIX A

Somerset Equality Impact Assessment

Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer

Version	1.1 (updated following end of consultation)	Date	21 September 2022
Description of what is being impact assessed			
Proposed banded income discount scheme for new Somerset Council’s Council Tax Reduction scheme			
Evidence			
<p>What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset’s Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles, should be detailed here</p> <p>We have obtained data relating to individual people affected by the proposal from the four districts back office benefit processing systems. This has allowed us to analyse the impact on people according to their age, disability, family circumstances and level of income and to use this data to develop the scheme. Our proposed scheme was modelled using “live” data based on actual entitlements and CTS recipients as at August 2022.</p>			
<p>Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?</p> <p>We held a consultation on the proposed changes to the Council Tax Reduction scheme for eight weeks from 25 July to 19 September 2022. We asked for feedback on the proposals from members of the public, in particular, Council Tax payers, those currently receiving CTR, major preceptors (Avon and Somerset Police, Devon and Somerset Fire & Rescue Service) and key stakeholders, such as Citizens Advice, parish, town</p>			

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and city councils.

Analysis of impact on protected groups

The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Age	<ul style="list-style-type: none"> Pensioners can claim a rebate up to 100% as prescribed by central Government. Working age claimants currently have their maximum award restricted to 80% in some districts. Our proposal equalises the maximum support available to 100%. 	□	□	☒
Disability	<ul style="list-style-type: none"> The proposed scheme recognises households with disabled people have limited ability to work and have higher disability related living expenses. Income from disability benefits such as PIP and DLA will be disregarded as income and a further income disregard of £30 a week will apply where the applicant, partner or dependant is disabled. 	□	☒	□
Gender reassignment	<ul style="list-style-type: none"> Gender reassignment is not a factor in any part of the assessment of CTS and it is not considered to be a characteristic which requires greater assistance when assessing support. 	□	☒	□

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Marriage and civil partnership	<ul style="list-style-type: none"> The scheme makes allowances, such as increased income thresholds to reflect the higher living needs of a couple, for applicants who are married, in a civil partnership or living together as if they were married or in a civil partnership. 	□	⊗	⊗
Pregnancy and maternity	<ul style="list-style-type: none"> The scheme does not discriminate against any applicant who is pregnant. 	□	⊗	□
Race and ethnicity	<ul style="list-style-type: none"> The scheme does not discriminate against any applicant due to their race or ethnicity. However, it is acknowledged that some racial communities are likely to have larger families and potentially could be negatively impacted. Where this is the case support may be provided under the Exceptional Hardship Scheme. 	□	⊗	□
Religion or belief	<ul style="list-style-type: none"> The scheme does not discriminate against any applicant because of their religion. 	□	⊗	□
Sex	<ul style="list-style-type: none"> There are a greater number of female recipients of CTR within our caseload (either single, lone parents or part of a couple) than male recipients. Consequently, more females will be impacted by changes made to our CTR scheme than males. This is not deliberate but is simply a product of the makeup of our caseload. However, gender will not be a direct factor in any part of the assessment of CTR as it is not considered to be a characteristic that requires greater assistance when assessing support. 	□	⊗	□

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Sexual orientation	<ul style="list-style-type: none"> The scheme does not discriminate against any applicant due to their sexual orientation. 	□	⊗	□
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	<ul style="list-style-type: none"> Income from Carers Allowance and the support component of Employment and Support Allowance will be disregarded. Income from a war widows pension or war disablement pension will be disregarded. 	□	⊗	□

Negative outcomes action plan

Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
<p>Where an applicant is adversely affected by the scheme, additional support can be applied for through the Council's Exceptional Hardship Scheme.</p> <p>In the main the majority of applicants will see either no change or an increase in the level of support</p>	21/09/2022	Richard Sealy	Monthly	□

If negative impacts remain, please provide an explanation below.

The scheme will be reviewed annually

Completed by:

Simon Doyle, Benefits Specialist

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Date	21 September 2022
Signed off by:	Richard Sealy, Assistant Director-Customer
Date	23 September 2022
Equality Lead/Manager sign off date:	8 November 2022 / Tom Rutland
To be reviewed by: (officer name)	Revenues & Benefits Service Manager
Review date:	September 2023

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APPENDIX B

Council Tax Reduction Scheme 2023/24 Consultation – Summary of the Responses

Detailed below is a summary of the responses to the consultation questions. Also included for each section is a summary of the key themes being expressed in additional comments from people who **disagree** with the proposals.

Part 1 – The introduction of an Income Grid scheme for all applicants of working age which will provide up to 100% support

2. Do you agree with introducing an income-based banded discount scheme as shown above?			
Answer Choices		Response Percent	Response Total
1	Yes	68.70%	316
2	No	17.83%	82
3	Don't Know	13.48%	62
		answered	460
		skipped	722

Key themes from people that disagree

- That all household should pay something;
- Generally, agree that 100% is good and supportive

Part 2 - Removing Non Dependant Deductions

4. Do you agree with this proposal?			
Answer Choices		Response Percent	Response Total
1	Yes	61.08%	259
2	No	20.75%	88
3	Don't Know	18.16%	77
		answered	424
		skipped	758

Key themes from people that disagree

- That non dependants should pay something

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- That there is a potential for fraud

Part 3 – Disregarding the housing element of Universal Credit

6. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	75.24%	310
2	No	14.81%	61
3	Don't Know	9.95%	41
		answered	412
		skipped	770

Key themes from people that disagree

- That this is 'pampering' to people who should work;
- That all rent payments should be disregarded irrespective of whether HB or UC (Housing Element) is disregarded

Part 4 – Where applicants or their partner (if they have one) are working, a standard disregard of £25 a week will be applied for single applicants, couples and lone parents

8. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	71.50%	286
2	No	13.00%	52
3	Don't Know	15.50%	62
		answered	400
		skipped	782

Key themes from people that disagree

- Seems a bit low?

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Part 5 – Any new claim or change in circumstances will be assessed on a daily basis

10. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	85.60%	333
2	No	3.60%	14
3	Don't Know	10.80%	42
		answered	389
		skipped	793

Key themes from people that disagree

- Misunderstanding that this will make the scheme complicated, some respondents thought that CTR will be changing daily

Part 6 – Provide for backdating any discount (up to a maximum of 12 months) where circumstances show that the applicant would have been continuously eligible for the period in question had they applied at that time

12. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	79.79%	308
2	No	11.40%	44
3	Don't Know	8.81%	34
		answered	386
		skipped	796

Key themes from people that disagree

- Backdating provision is too long;

Part 7 – Protecting disabled persons by disregarding certain disability benefits providing a further disregard of £30 a week where the applicant, partner or dependant is in receipt of a disability benefit.

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14. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	77.31%	293
2	No	12.66%	48
3	Don't Know	10.03%	38
		answered	379
		skipped	803

Key themes from people that disagree

- That disability benefits should be taken into account;
- That figure (£30) is too low
- That figure (£30) is too high)
- That all income should be included

Part 8 – Protecting families by disregarding Child Benefit and Child Maintenance

16. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	74.40%	279
2	No	14.40%	54
3	Don't Know	11.20%	42
		answered	375
		skipped	807

Key themes from people that disagree

- That all income should be counted 'income is income';

Part 9 – Disregarding Carer's Allowance and the Support Component of Employment and Support Allowance

18. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	79.57%	296

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18. Do you agree with this proposal?

2	No		9.68%	36
3	Don't Know		10.75%	40
			answered	372
			skipped	810

Key themes from people that disagree

- That 'all' income should count;
- Discriminating against others

Part 10 – Protecting War Pensioners by disregarding War Pensions or War Disablement pensions in full.

20. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	82.21%	305
2	No	7.01%	26
3	Don't know	10.78%	40
		answered	371
		skipped	811

Key themes from people that disagree

- All income should count and no disregard should be given

Part 11 – Introducing a capital limit of £6,000.

22. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	59.40%	218
2	No	26.70%	98
3	Don't know	13.90%	51
		answered	367

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22. Do you agree with this proposal?

skipped

815

Key themes from people that disagree

- Capital level is too low

Part 12 – Providing an Exceptional Hardship Scheme

24. Do you agree with this proposal?

Answer Choices		Response Percent	Response Total
1	Yes	80.27%	293
2	No	6.58%	24
3	Don't know	13.15%	48
		answered	365
		skipped	817

Key themes from people that disagree

- Provided that it is for EXCEPTIONAL use only;

15. Alternatives to introducing the proposed Council Tax Reduction Scheme

Key themes for people that disagree

- Generally there is agreement on the new scheme but several emphasise that working age bear most of the costs;
- Worry about single person discount (not affected);
- Savings level mentioned again as per capital question

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APPENDIX C

Impact analysis of proposed CTR scheme on current caseload

Table C.1 High level analysis by client groups

The figures shown below compare the caseload, overall expenditure and average weekly amounts of support under the current schemes against the proposed new scheme.

These figures indicate that the majority of our existing claimants will continue to receive support under the proposed new scheme and on average will receive more support per week. 759 people will cease to be eligible for support under the proposed new scheme.

	Existing scheme			Proposed scheme			
	Numbers	Expenditure	Average weekly amount	Numbers	Expenditure	Average weekly amount	Average weekly loss / gain
Single person	6,225	£4,776,285	£14.76	5,954	£4,919,557	£15.87	£1.13
Couples with no children	967	£951,181	£18.92	913	£882,818	£18.60	-£0.32
Families with 1 child	3,362	£2,419,148	£13.84	2,987	£2,426,731	£15.62	£1.79
Families with 2 or more children	4,525	£3,413,016	£14.50	4,466	£3,551,982	£15.29	£0.79
Passported	4,548	£4,781,983	£20.22	4,548	£5,538,337	£23.42	£3.20
Total working age scheme	19,627	£16,341,614	£16.01	18,868	£17,319,423	£17.65	£1.64
Total pension age scheme	13,928	£15,871,950	£21.91	13,928	£15,871,950	£21.91	0
Total scheme costs	33,555	£32,213,564	£18.46	32,796	£33,187,925	£19.46	£1.64

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APPENDIX C cont.

Table C.2 Summary of effect of proposed CTR scheme on current caseload by client group

The table below summarises the impact of the proposed scheme on the current caseload split by client group.

The key messages from the below data are that:

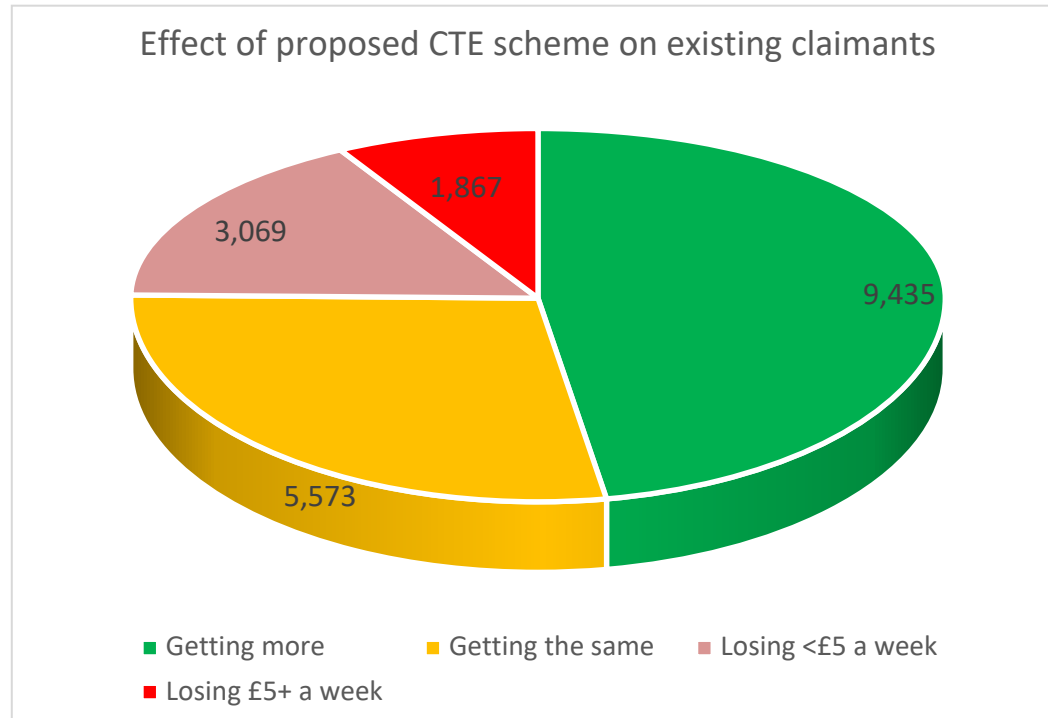
- 15,008 (75%) of claimants are receiving either the same amount of support or are better off under the proposed scheme;
- Of which 9,435 (47%) are better off under the proposed scheme; and
- 4,936 (25%) claimants are worse off, although the majority of these, 3,069, are only seeing a reduction of below £5 per week.

	Numbers getting more support	Numbers getting the same support	Numbers losing less than £5 a week in support	Numbers losing £5 or more a week in support	Biggest weekly loss	Average weekly loss (of those getting less support)
Single person	2,530	1,624	1,512	667	£32.49	£4.70
Couples with no children	314	315	191	184	£29.31	£7.54
Families with 1 child	1,345	809	731	504	£29.31	£6.87
Families with 2 children	1,491	1,091	294	143	£32.03	£4.51
Families with more than 2 children	540	401	341	369	£32.58	£5.36
Passported	3,215	1,333	0	0	-	-
Total	9,435	5,573	3,069	1,867		

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APPENDIX C cont.

Chart C.3 Summary of effect of proposed on current caseload



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APPENDIX D

**SOMERSET COUNCIL
COUNCIL TAX SUPPORT SCHEME
S13A and Schedule 1a of the
Local Government Finance Act 1992**