

Decision Report - Executive Decision
Forward Plan Reference: FP/23/09/22
Decision Date – 6 December 2023
Key Decision – yes



Council Tax Reduction & Exceptional Hardship Scheme for 2024/25

Executive Member(s): Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: N/A

Lead Officer: Richard Sealy, Interim Revenues & Benefits Manager

Author: Richard Sealy

Contact Details: e-mail: richard.sealy@somerset.gov.uk, Tel: 01823 217558

Summary / Background

1. Council Tax legislation requires the Council, as a billing authority, to formally agree a Council Tax Reduction (CTR) scheme for each financial year for working age people. (NB. there is no requirement to change the scheme between years and Councils can simply roll-forward their existing scheme).
2. No decision is required in respect of the scheme for pension age applicants as this element of the scheme is prescribed by Government. The Government will update this part of the scheme in December 2023 and we will make the necessary adjustments to our scheme document at that stage. We anticipate that state pension increases will be generally reflected in increased allowances in the prescribed Govt. element of the scheme.
3. A significant project was undertaken last year to develop a new aligned CTR scheme to help facilitate the move to the new Somerset Council. This exercise involved aligning the different former district council schemes to a single income banded scheme, significant financial modelling and a full public consultation exercise. A cornerstone of the new scheme agreed by Members was the maximum award of 100% CTR to those on the lowest incomes.
4. In addition, we developed and Members agreed to a new Exceptional Hardship (EH) scheme, which forms part of the CTR scheme. This EH scheme supports the main CTR scheme by providing a mechanism to enable us to make discretionary

payments to people in need. This was particularly important for this year, as it was recognised that a number of people would lose out as a result of aligning the main CTR scheme, although the majority of previous recipients received either the same or more under the new scheme.

5. A light-touch review was undertaken earlier this year to look at the initial impact of the new CTR scheme and to help to inform any potential changes for the coming financial year. This review indicated that the new scheme appears to be working well and is within budget. The trend in recent years has been for caseload to reduce and this continues this year. To date we have seen small reductions in caseload for both pension and working age people. The reasons for this are varied. The only noteworthy feedback we have received has been one view from one of our local Citizens Advice offices who requested that we extend one element of the income disregards within the scheme. However, having sought expert advice, considered the approach being undertaken by other councils and completed a full “due regard process”, we are not proposing any change to the disregards.
6. It was concluded following the light touch review that no major changes were required to the scheme. (NB. Major changes require full public consultation, which has not been undertaken as no such changes were identified as being required).
7. The light touch review did identify that Council may wish to consider uprating the income band thresholds within the scheme. Most of our claimants are in receipt of state benefits, which Govt. normally uprate for the following year in line with the September CPI figure (6.7%). Therefore, uprating the income band thresholds within our scheme by the same amount helps to protect the proportion of CTR received by existing claimants the majority of whom receive state benefits. Our ability to uprate the income band thresholds is already provided for within our scheme and does not require consultation.
8. However, the Council’s forecast budget gap for next year has significantly worsened since the light touch review was undertaken. All aspects of Council expenditure now need to be carefully considered and potentially reduced in order to close the budget gap.
9. A fundamental re-write of the CTR scheme is not feasible within the timescale for setting next year’s Council Tax because, as stated above, this would require a full public consultation exercise and, potentially, changes to the four separate Revenues and Benefits IT systems currently in operation. The only options

available for significantly reducing expenditure on the main working age CTR scheme are to either not uprate the income band thresholds within the scheme or to uprate them at a lower rate than that used by the DWP for state benefits.

10. Three options have been considered in relation to the income bands:
 - Option 1 – retaining the existing (2023/24) income band thresholds (i.e. NOT uprating) – high-level modelling indicates that this could deliver a net cost reduction of circa £1m, but will detrimentally impact potentially 5,292 (29%) of our existing working age claimants who would see an average reduction of £326 per annum in the amount of CTR received
 - Option 2 – uprating the income band thresholds by 50% of the amount applied by Govt. to state benefits – this would reduce the detrimental impact of not uprating in line with inflation. Only 2,174 (12%) of our working age caseload would be affected and by an average of £318. However, this also provides a net cost reduction of £417k
 - Option 3 – uprating the income band thresholds by the same increase applied by Govt. to state benefits (6.7%) – this option essentially protects existing working age claimants who are in receipt of state benefits from the impact of income inflation on their CTR entitlement. However, working age claimants who are in receipt of the National Living Wage, which Govt. have announced will rise by 9.8%, could see a reduction in the amount of CTR they receive (depending on their circumstances). Overall with this option, we estimate the cost of CTR, as a proportion of the gross debit would not rise and may reduce due to the impact of the increase in the National Living Wage on some existing claimants
11. To ensure that we are making the best use of the limited funds at our disposal for future financial years a full review of the scheme during the 2024/25 financial year together with full public consultation on any proposed changes will be required. This will also allow the Council to review the existing CTR scheme after running it through a full financial year from 1st April 2023. This review exercise will require funding of circa £60k.
12. More detail is provided about each of the options below. In addition, we have provided information regarding the proposed Exceptional Hardship (EH) scheme for next year, which forms part of our CTR scheme (Appendix 4 refers).

13. All of the options are anticipated to reduce expenditure to a greater or lesser extent on the main CTR scheme. Consequently, this is likely to result in an increase in applications for Exceptional Hardship and to impact detrimentally on the collection rates, as it is highly likely that some claimants will not be able to pay the increased Council Tax. Any increase in EH payments will reduce any cost reductions in the main CTR scheme. Provision will need to be made for the anticipated costs of CTR and EH within the Council Tax base calculations for next year.
14. Options 1 and 2 in particular would have a variable impact on existing claimants. Our scheme is an income banded scheme which means that claimants whose income is near the top of an income band threshold will potentially fall into the next band and see a reduction in the amount of support they receive if their income increases above the band threshold. This could well mean that claimants will have to pay more in extra council tax than they will receive in their increase in their state benefits and / or wages, especially where they fall from the 100% relief level to the next one down at 75%. Details of how the different options would impact on the income band thresholds are shown at Appendix 3.
15. On balance, given the anticipated impact of not uprating the income band thresholds in line with the amount applied by Govt. to state benefits, this report recommends that Council uprates for next year in line with the 6.7% applied to state benefits. Doing so will help to maintain the level of support provided to those on the lowest incomes and most in need. However, some claimants, where they are in receipt of the National Living Wage, are still likely to see reductions in the amount of CTR they receive because of the significant increase (9.8%) in the earned income they will receive. For the longer term the report recommends that a full review of the scheme is undertaken during the coming financial year in order to identify the options for a revised scheme for the following financial year.
16. The proposed detailed CTR scheme is appended to this report at Appendix 5. The income band thresholds, detailed in Schedule 1 of the scheme document will be added following the decision by Council on 20 December 2023. Equalities Impact Assessments for the options are attached at Appendices 1 and 2.
17. This issue has been considered by Scrutiny for Corporate and Resources on 9th November 2023 and their comments are included below.

Recommendations

18. The Executive are asked to recommend to Full Council on 20 December 2023 approval of:
 - i) The Council Tax Reduction and Exceptional Hardship schemes set out in Appendices 4 and 5 to this report;
 - ii) Option 3 in relation to the income band thresholds used within Schedule 1 of the proposed Council Tax Reduction scheme i.e. uprating in line with the 6.7% rise in state benefits announced by Govt. in the November 2023 Autumn Statement; and
 - iii) A full review of the Council Tax Reduction scheme during the 2024/25 financial year to identify options for a revised scheme in the 2025/26 financial year. (NB. the review and consultation exercise will require funding which is anticipated to be in the region of £60k).

Reasons for recommendations

19. These recommendations are made in order to meet the Council's obligations in law to set a Council Tax Reduction scheme for the coming financial year and to provide options for delivering the scheme at reduced cost.

Other options considered

20. We are required by law to set a Council Tax Reduction scheme for each financial year.
21. No major changes were identified as being required to the existing scheme earlier this year and consequently no public consultation, which is required to enable major changes, has been undertaken. Our options are therefore limited to the amount by which we choose to increase the income band thresholds within the scheme and these options are all set out within this report. Two other options were considered in relation to the income band thresholds:
 - Option 1 – No uprating (i.e. retaining the thresholds at the existing amounts) – this would see a significant number of existing claimants

receiving a reduction in the amount of the CTR they receive. This would be highly likely to result in an increase in claims for Exceptional Hardship and result in a reduction in the amounts collected in view of some claimants not being able to afford to pay the increased amounts

- Option 2 - Limited uprating (i.e. 50% of the increase announced by Govt. in relation to state benefits) – whilst this reduces the numbers of claimants affected, a significant number would still see a reduction in the amount of CTR they receive. Again, this is likely to result in increased EH claims and will detrimentally affect collection rates

Links to Council Plan and Medium-Term Financial Plan

22. The CTR and EH schemes provide key financial support to people on low incomes. This aligns with the council's key priorities around being a healthy and caring, fairer and flourishing and resilient Somerset.
23. The CTR scheme also represents a significant amount of the Council's expenditure, currently £34.8m or 7.16% of the gross Council Tax debit. Reducing expenditure in this area can help to alleviate some of the council's significant budget pressures. However, doing so will detrimentally impact on people who are on low incomes and may lead to increased claims for Exceptional Hardship and reduced collection rates.

Financial and Risk Implications

CTR Scheme Financial Implications

24. Amounts awarded in respect of CTR or EH claims are funded from the Council Tax Collection Fund. Consequently, they are funded by the Council and the other major precepting authorities.
25. We have compared spend on CTR this year against the combined legacy district spend for last year (see Table 1). The actual amounts awarded increase from year to year as the Council Tax charged rises by around five percent each year. Therefore, for comparison purposes, we look at the amount of CTR awarded as a proportion of the gross Council Tax debit raised for each year. The total cost of the scheme as a proportion of the gross debit is slightly lower this year than

last year and we expect it to reduce further because the caseload continues to reduce year-on-year.

Table 1: CTR awarded as a proportion of the gross Council Tax debit

Financial year	Gross Council Tax debit	Total CTR awarded	Proportion
2022/23	£452,666,027	£32,830,685	7.25%
2023/24	£486,794,248	* £34,816,737	7.16%

* Excludes awards from the Council Tax Support Fund for comparison purposes

Financial implications of the income band threshold options

26. Govt. have announced that they will increase state benefits for the coming financial year, as it usually does, by the September CPI figure (6.7%). They have also announced that the National Living Wage will increase by 9.8%.
27. We have undertaken high-level modelling to identify the potential financial impacts on the cost of the scheme of the three options outlined above in relation to the income band thresholds. (NB. We are still operating on the four different legacy district IT systems for Revenues and Benefits. It has only been possible to undertake modelling on the caseload of the former Somerset West & Taunton area, but we have extrapolated the results across the rest of the County area. The modelling has been based on the 6.7% increase in state benefits, which are received by the majority of our claimants).
28. Unsurprisingly, the modelling indicates that the maximum cost reduction can be produced by not uprating the income band thresholds (see Table 2 below). However, the Council will need to make allowance for a potential increase in EH applications and reduced collection rates resulting from any decreases in the amounts of CTR being paid. Table 3 below details the potential net saving taking into account the estimated increases in EH payments for all of the options.

Table 2: Estimated comparison between the different income band threshold options

Option	Potential cost reduction	No. working age claimants impacted	Average cost impact per affected claim p.a.
Option 1 – NO uprating	£1,291,271	5,292	£326
Option 2 – uprating by 50% of state benefits increase	£516,977	2,174	£318
Option 3 – uprating in line with state benefits increase (6.7%) (see note below)	£negligible	(see note below)	£negligible

Note:

The National Living Wage has increased by a greater amount than state benefits (i.e. 9.8% are opposed to 6.7%). Therefore, some claimants who are in receipt of the National Living Wage will potentially see a reduction in the amount of CTR they receive under all three of the above options. Unfortunately, we have not been able to identify the precise number of claimants potentially affected.

Table 3: Net reduction taking in account the estimated increase in EH payments

Option	Potential cost reduction	Anticipated increase in EH payments (see note 2 below)	Net cost reduction
Option 1 – NO uprating	£1,291,271	£250,000	£1,041,271
Option 2 – uprating by 50% of state benefits increase	£516,977	£100,000	£416,977

Option 3 – uprating in line with state benefits increase (6.7%) (see note 1 below)	£negligible	£50,000k	£negligible
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Note:

1. The National Living Wage has increased by a greater amount than state benefits (i.e. 9.8% are opposed to 6.7%). Therefore, claimants in receipt of the National Living Wage are more likely to see a reduction in the amount of CTR they receive under all three of the above options. So, there will be some cost reductions with Option 3 as well, but we have not been able to model these.
2. This represents the amount in addition to the anticipated total spend on EH for the current year (2023/25) of £350k

Exceptional Hardship Scheme Financial implications

29. We have reviewed the number of Exceptional Hardship claims being received and amounts awarded for this year. We anticipated an increase in EH claims this year, as a result of the detrimental impact of aligning to a new scheme for some claimants. The position as at 30 September 2023 is as detailed below.

Table 4: Exceptional Hardship claim statistics for 2023/24 (30 Sep 2023)

No. of claims received	Claims awarded	Amount awarded
724	454	£174,912

30. The above figures indicate that we are likely to spend £350k this year in total. Whilst this represents an increase on last year's spend (£190k), it is less than the £500k we estimated for this year.
31. Where we are declining to award EH it is generally because either the claimants have not submitted sufficient evidence to support their claim, their income is too high or their expenditure is unreasonable.
32. The cost of EH for next year will be impacted by the amount by which we increase our income band thresholds. The recommended option is to increase in line with the increase applied by Govt. to state benefits (6.7%). This will minimise any potential increase in claims for EH by helping to protect the

proportion of CTR received by most current claimants. Table 5 below provides crude estimates of the financial impact on EH claims of the various options.

33. The Exceptional Hardship scheme is part of our main CTR scheme. Consequently, the cost of EH is also borne proportionately by the other major precepting authorities.

Table 5: Estimated impact on EH payments of the three income band threshold options

Option	Anticipated current year cost 2023/24	Estimated total cost for 2024/25
Option 1 – NO uprating	£350k	£600k
Option 2 – uprating by 50% of state benefits increase		£450k
Option 3 – uprating in line with state benefits increase		£400k*

* The £50k increase between the current year and next year for Option 3 takes into account an anticipated 5% rise in Council Tax and an increase in claims resulting from some claimants in receipt of the National Living Wage receiving less CTR.

34. The additional EH costs for all of the options will need to be offset against any reduction in CTR those options deliver and the Council Tax base calculations will need to be adjusted accordingly.

Potential impact on collection rates

35. Options 1 and 2 are likely to have a potential detrimental impact on the longer-term collection rates in respect of next year’s Council Tax charge. Again, it is very difficult to predict with accuracy what this impact could be.

Risk implications

36. Set out below are the key risks in relation to the proposed CTR scheme.

Risk	Mitigating actions / comments	Score
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		L = Likelihood I = Impact
The scheme costs more than anticipated	<ul style="list-style-type: none"> The maximum we're proposing is to uprate the income band thresholds in line with the percentage used by Govt. to uprate state benefits. At most this will simply mean that the proportion of CTR paid remains the same as last year & remains cost neutral. The National Living Wage has increased by a higher percentage than state benefits, which means that some claimants in receipt of this may receive less CTR Options 1 or 2 would decrease the cost of the scheme. 	L2 x I3 = 6
The scheme rules have a significant detrimental impact on existing claimants	The new scheme has been introduced without a significant detrimental financial impact. We are essentially proposing to continue with the same scheme, albeit a decision needs to be taken in relation to uplifting the income band thresholds.	L2 x I3 = 6
Not increasing the income band thresholds in line with the rate of inflation used by DWP or for the National Living Wage could result in significant hardship for some claimants	<ul style="list-style-type: none"> Claimants who will be significantly impacted will be identified & contacted The EH scheme is there to provide additional discretionary support in cases of significant hardship 	L4 x I3 = 12
Not increasing the income band thresholds in line with the rate of inflation	Both are likely & consequently we will need to make appropriate provision within the Council Tax base	L4 x I3 = 12

used by DWP or for the National Living Wage results in reduced collection rates & increased EH costs	calculations and longer-term collection rates.	
Legal challenge to the scheme	Full public consultation was undertaken in respect of the scheme last year. In addition, we have undertaken separate equalities impact assessments in respect of the options in relation to the income band thresholds.	L3 x I3 = 9

Legal Implications

37. A CTR scheme must be agreed by the Council for each financial year to comply with the requirements of Schedule 1A of the Local Government Finance Act 1992.

HR Implications

38. There are no HR implications related to this report.

Other Implications:

Equalities Implications

39. The scheme proposed for next year is largely the scheme that is currently in operation. A full Equalities Impact Assessment was undertaken last year to support the report and recommendations that were made to full Council on 23 November 2022. This can be viewed at appendix A to agenda item 6, Paper B in [Meeting of SCC County Council on Wednesday, 23rd November, 2022, 10.00 am - Modern Council \(somerset.gov.uk\)](#)
40. The key changes proposed in relation to next year's scheme relate to the uprating of the income band thresholds within the scheme. Consequently, we have

focussed on understanding the impact of potential changes and alternative options in this area from an equalities perspective.

41. Most of our existing claimants receive state benefits, although some work or are self-employed. Govt. have announced that they will increase state benefits for the next financial year (2024/25) in line with the September 2013 CPI figure (6.7%). They have also announced that the National Living Wage will increase by 9.8%.
42. Outlined earlier in this report are a number of options in relation to the income band thresholds for next year.
43. Option 3 essentially sees us applying the same rate of inflation to the income band thresholds as is applied to state benefits. This allows us to protect the proportion of CTR received by most of our existing claimants for next year. A specific EIA has been completed for this option and is detailed at Appendix 1. This evidences that this option will have a largely positive impact from an equalities perspective, as it largely protects existing claimants. (NB. Some claimants who receive the National Living Wage may see a reduction in their CTR because Govt. have applied a higher increase to this than to state benefits).
44. Appendix 2 details a separate EIA undertaken in respect of options 1 and 2. These options would entail our either NOT increasing the income band thresholds at all or increasing by a lower percentage (50%) than the increase applied by Govt. to state benefits. In these scenarios our modelling indicates that a significant proportion of our existing claimants (up to 29%) would be worse off. Where no increase is applied the average amount could be as high as £326 a year.
45. In particular, Appendix 2 identifies potential disproportionate impacts on the following groups with protected characteristics:
 - Age – these changes can only apply to the working age scheme and consequently will impact disproportionately on that group
 - Disability – whilst we do not hold precise data on the impact, we know that a large number of our claimants will receive disability benefits. Whilst disregards will continue to apply to a number of these benefits, there will be cases where people with a disability will receive a reduction in their CTR. The impact of any such reduction is likely to be proportionately higher for a disabled claimant due to increased living costs

- Sex – the greater proportion of our claimants are females. Therefore, it is reasonable to assume that reducing the amount of CTR payable will have a disproportionate impact on this group
- Sexual orientation – whilst this is not a factor in determining eligibility for CTR, we do know that options 1 and 2 will potentially have a greater impact on single people. Groups with certain types of sexual orientation are more likely to live alone and consequently maybe disproportionately impacted
- Other e.g. low income and carers - the scheme is specifically targeted at those on low incomes and contains income disregards in relation to carers. However, these options will in some cases reduce or remove altogether the CTR received by some claimants. Given that this is an income based scheme these options will by definition impact on people on low incomes and it is not unreasonable to assume that this will have a disproportionate impact on unpaid carers

46. Mitigation actions have been identified and are outlined in both EIAs. These will largely be reliant on greater use of the discretionary Exceptional Hardship scheme and this report identifies where greater budget provision will need to be made for this.

Community Safety Implications

47. The CTR and EH schemes provide financial support to people on low incomes to help them pay their Council Tax. Not increasing the income band thresholds used within the scheme by the same rate applied by Govt. to state benefits could result in financial hardship for some existing claimants. However, they will be able to apply for additional support through the Exceptional Hardship scheme.

Climate Change and Sustainability Implications

48. The new scheme is simpler to administer than a number of the schemes run by the former districts. It removes the need for claimants on Universal Credit to separately claim for the Council Tax Reduction and results 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

49. This proposal has no Health & Safety implications.

Health and Wellbeing Implications

50. The CTR and EH schemes provide financial support to people on low incomes to help them pay their Council Tax. Not increasing the income band thresholds used within the scheme by the same rate applied by Govt. to state benefits could result in financial hardship for some existing claimants. However, they will be able to apply for additional support through the Exceptional Hardship scheme.

Social Value

51. There are no social value implications associated with this report.

Scrutiny comments / recommendations:

52. Scrutiny for Corporate and Resources considered the report and recommendations on 9 November 2023. The committee noted the success of the scheme introduced from 1st April 2023 and passed on their thanks to the Revenues and Benefits team. They also noted that the severity of the budget situation and budget gap may mean that Council has to consider options to reduce expenditure on the Council Tax Reduction scheme for next year and that these options would include either not uprating the income band thresholds or uprating at a lower rate than that used by the DWP for state benefits. Members were keen to ensure that a full equalities impact assessment is undertaken in respect of any proposals which would reduce expenditure. In addition, the committee requested that consideration be given to extending the Exceptional Hardship scheme.

Background

General background

53. Council Tax Reduction (CTR) provides financial assistance to help people on low incomes to pay their Council Tax. This can be for up to 100% of their Council Tax liability.

54. 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.
55. 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.

The legal requirements

56. Council Tax legislation and specifically Schedule 1A of the Local Government Finance Act 1992 requires the Council to agree its local CTR scheme for each financial year in relation to working age claimants.
57. The scheme for pension age claimants is prescribed by Government and we have no powers to change these rules. Government usually adjusts the pension age rules each year and we will simply incorporate these changes into our scheme when we are notified of them (usually in December).

Background to the existing Somerset scheme

58. The four legacy district councils each operated different CTR schemes. There were some similarities between the schemes i.e. two ran income banded schemes and two ran more traditional schemes. The total amounts of support provided ranged from 80% to 100% of the Council Tax liability.
59. Consequently, a significant project was undertaken last year in the lead up to the creation of Somerset Council to align the former district schemes to a new single scheme for Somerset. This exercise involved a review of the legacy district schemes, significant financial modelling, extensive public consultation all leading up to the proposed new scheme going through the then Somerset County

Council's member decision making processes in the Autumn of 2022. Full Council agreed to the new scheme on 23 November 2022.

60. We identified early in the process of aligning four different schemes the risk of claimants ending up worse off as a result of implementing new rules. We had to balance this consideration against the need to ensure that the overall cost of the new scheme was affordable to the Council given the very challenging financial environment.
61. Consequently, a significant amount of effort was put into developing and refining the specific detail of the scheme to both minimise any detrimental impact on individual claimants whilst ensuring overall financial affordability. Clearly there were going to be winners and losers, but the scheme was developed in such a way that it minimised the number of people who lost out and maximised those who either retained the same level of support or were better off. This was achieved without increasing the overall cost of the scheme. The new scheme included provision to pay those on the lowest incomes a maximum of 100% and provided for an Exceptional Hardship Scheme to allow us to provide discretionary support on a case-by-case basis to people who were detrimentally impacted by the change in rules.

Key elements of the Somerset scheme

62. Detailed below is a summary of the key elements of the Somerset scheme. The full scheme rules are detailed at Appendix 3.
 - *Income Banded Scheme* –
 - This allows for small fluctuations in a claimant's income without requiring us to reassess their entitlement each time their income varies. This reduces administration, re-billing costs, the volume of new bills being issued to claimants and helps to improve collection rates
 - The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependents
 - *Income disregards* – the scheme disregards certain types of income e.g.
 - To encourage work, a standard £25 a week disregard is provided against all earnings
 - 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 is given
 - Carer's Allowance and the Support Component of Employment and Support Allowance is disregarded.
 - Child Benefit and Child Maintenance is disregarded as income;
 - An amount in respect of the housing element, within Universal credit is disregarded
 - All war pensions and war disablement pensions are disregarded
 - Extended payments will be removed
 - A capital limit of £6,000 with no tariff (or assumed income) is applied, which aligns with the approach taken by DWP
- *Easier to understand & administer* - the income band grid allows claimants to easily see how much they can get or how a change to their income will affect their discount. No charges are made where an applicant has non-dependants living with them. This makes the scheme more straightforward and protects low-income families where adult sons and daughters, for example, remain at home
 - *Simplified claims process* – approximately 50% of our claimants receive Universal Credit (UC). We are automatically notified by the DWP of new UC awards. In most cases, the notifications include enough information for us to make an award without the need for a Council Taxpayer to make a separate claim
 - *Maximum award of 100%* -
 - The most vulnerable taxpayers and those on the lowest incomes will get a 100% discount
 - No restriction is applied to higher banded properties
 - The Council no longer has to recover small outstanding balances from those unlikely to afford their bills – this improves administration and collection rates and reduces the cost of collection
 - *Exceptional Hardship Scheme* – this gives us the ability to provide discretionary help to Council Taxpayers, whether they receive CTR or not, to assist them in meeting their Council Tax bills. It provides us with a flexible mechanism to provide support in abnormal circumstances where people are suffering hardship as a result.

Light-touch review of the existing scheme

63. The Council is, as stated above, required to agree a CTR scheme for each financial year, although there is no requirement to change the rules from year-to-year. Any significant changes require full public consultation before they can be agreed and implemented.
64. Because this is a new scheme, albeit one that has only been in operation for a short period, it made sense to undertake a light touch review of the scheme before proceeding to make recommendations for next year.
65. This light touch review exercise was undertaken earlier this year. (NB. At the point the review was undertaken the scheme had only been in place for a few months. We do not yet have sufficient data to fully understand the impact of the new scheme across a longer period of time and consequently have only undertaken a light touch review at this stage). The areas considered and a summary of the findings are detailed below:
- *Initial observations & feedback from customers on the impact of implementing the new aligned scheme* – the majority of claimants either continue to receive the same amount or more under the new scheme than they previously received. We did however receive a number of initial contacts from customers who had been detrimentally impacted by the changes to the scheme. These have been dealt with and, where relevant, these customers have been advised to make applications under the Exceptional Hardship Scheme. Overall, the scheme appears to have been well received. We have only received a very small number of actual ‘appeals’ in respect of claims where people are receiving less than in previous years. (NB. We did write to people who were going to be worse off prior to issuing the bills to invite them to claim Exceptional Hardship)
 - *The maximum award of 100% for working age claimants* - unsurprisingly, this appears to have been well received. In terms of the impact of the increase to 100% on the overall spend, the total cost of the scheme as a proportion of the gross debit is actually slightly lower this year than last year (see Table 1).
 - *The impact on claimants who have been detrimentally impacted* – to date we have paid out £175k in Exceptional Hardship payments and we anticipate paying up to £350k for the full year. This is higher than the total spent last year (£180k), but is within the £500k anticipated potential cost for this year. This is indicative of the new scheme rules not having caused a significant

detrimental impact. (NB. We have in fact received additional one-off funding from Government this year to support people on low incomes to pay their Council Tax, which is being used in part to fund the EH claims)

We are keeping the EH scheme under close review across the four legacy district teams to ensure the consistency of our approach to assessing claims and to promoting the scheme

- *The income band thresholds* – the conclusion, as outlined above, is that we should increase the income band thresholds in line with the inflationary uplift in state benefits for next year. Doing so will ensure that the majority of claimants, most of whom receive state benefits, will continue to receive the same proportion of CTR as they currently receive
- *Stakeholder feedback* - as part of the consultation exercise last year we engaged directly with the public and key stakeholders. Since the scheme came into operation in April 2023 we have received feedback from Citizens Advice regarding elements of the scheme, including a suggested change in relation to the treatment of the Limited Capability for Work Element of Universal Credit for income disregard purposes. We have considered the proposed change, sought expert advice, reviewed how other councils deal with this element, and have concluded that no change is required following the completion of a due regard process.
- *National trends* – around 13% of local authorities have changed their CTR schemes for the current financial year. The most common changes were to:
 - Make the schemes more generous in view of the economic climate and the squeeze on household finances; and to
 - Implement income banded schemes, which are now operated by 30% of local authorities.
- *The overall cost of the scheme to date* – Table 1 above details the overall cost of the scheme to date this year both in financial terms and as proportion of the overall gross Council Tax debit. We are spending broadly the same proportion of the overall Council Tax debit (circa 7%) on CTR, as was spent last year, although the proportion has reduced very slightly. This reduction is in large part driven by the ongoing trend in caseload reduction and we anticipate a further slight reduction next year.

66. We have not considered as part of the light touch review things such as the anticipated longer-term improvement in collection rates because it is too early at this stage to properly analyse any impact from the data. In addition, the delay in posting cash resulting from the implementation of the new finance system has impacted on our ability to chase unpaid amounts in certain areas.

Conclusions from the light touch review

67. The review indicates that the scheme is working well, has not had any significant detrimental impact on the majority of claimants and that overall spend remains, as anticipated, proportionately the same as for the previous year, despite the change in the scheme rules.
68. No major changes to next year's scheme were identified as being required as a result of the review. Consequently, no public consultation exercise was undertaken. The review did conclude that it would make sense to uprate the income band thresholds within the scheme by the same indices of inflation used by Govt. to increase state benefits (usually the September CPI figure). Doing this would help to protect the proportion of CTR received by our working age claimants, the majority of whom receive state benefits. Changes to the income band thresholds are provided for within our existing scheme rules and consequently do not require public consultation.

The impact of the Council's financial position

69. The Council's financial position has significantly worsened since the review was undertaken and to the extent where all expenditure now needs to be considered for potential savings.
70. We have not, for the reasons stated above, proposed major changes to the CTR scheme for next year and have not consulted. Realistically there is not now time to develop, model, consult on and implement (in four separate IT systems) major changes to the CTR scheme for next year. However, we can still determine whether we choose to uprate the income band thresholds in the scheme. Not uprating or increasing by a lower amount than the figure used by Govt. to increase state benefits or, to a lesser extent, to wage increases, does provide the opportunity to deliver some cost reductions. This paper sets out three options for Members to consider:
- Option 1 – NOT uprating i.e. retaining the existing thresholds, which will maximise the potential cost reduction;

- Option 2 – uprating by 50% of the rate applied by Govt. to state benefits, which will deliver a cost reduction, but at a lower amount than option 1; or
- Option 3 – uprating by the same percentage increase applied by Govt. to state benefits (6.7%), which will largely protect the proportions received by existing working age claimants, but is unlikely to deliver significant cost reductions.

71. Govt. have announced that state benefits will rise by 6.7% for the coming financial year and the National Living Wage by 9.8%.
72. Options 1 and 2 would reduce expenditure on the main CTR scheme. Consequently, this is likely to result in increases in the numbers of applications for EH. Consequently, we should make provision for additional EH costs this within the Council Tax calculations for next year should one of these options be chosen.
73. It is prudent to assume that either option 1 and 2 will impact detrimentally on collection rates for next year. Both options would result in our reducing the amount of CTR paid to people on low incomes and would increase the amount of Council Tax they are required to pay. This would be in addition to the anticipated annual increase in Council Tax charges. It is difficult to predict the actual impact on collection rates over the longer term, but, again we will need to make provision for this.
74. Option 3, by aligning our increase in our income band thresholds to that used by Govt. for state benefits (6.7%), largely protects the proportions of CTR received by the majority of existing claimants. However, existing claimants who receive the National Living Wage may still in some cases see a reduction in the amount of CTR they receive. This is because the National Living Wage has increased by a greater percentage than state benefits.

Background Papers

73. [Meeting of SCC County Council on Wednesday, 23rd November, 2022, 10.00 am - Modern Council \(somerset.gov.uk\)](#) (see agenda item 6, Paper B & Paper B App D)

Appendices

- Appendix 1 – Equalities Impact Analysis in respect of uprating in line with the DWP increase in state benefits
- Appendix 2 – Equalities Impact Analysis for NOT uprating in line with the DWP increase in state benefits
- Appendix 3 – Summary of the income band threshold options for 2024/25
- Appendix 4 – Proposed EH scheme for 2024/25
- Appendix 5 – Proposed CTR scheme for 2024/25

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	21 Oct 2023
Communications	Peter Elliott	24 Oct 2023
Finance & Procurement	Nicola Hix	25 Oct 2023
Workforce	Alyn Jones	26 Oct 2023
Asset Management	Oliver Woodhams	14 Oct 2023
Executive Director / Senior Manager	Nicola Hix	25 Oct 2023
Strategy & Performance	Alyn Jones	26 Oct 2023
Executive Lead Member	Cllr Liz Leyson	21 Oct 2023
Consulted:	Councillor Name	
Local Division Members	N/A	
Opposition Spokesperson	Cllr Mandy Chilcott	13 Oct 2023
Scrutiny Chair	Cllr Bob Filmer	13 Oct 2023