

**COUNCIL**  
**25 January 2024**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2024/2025**

**REPORT OF: SERVICE DIRECTOR CUSTOMERS**

**EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT**

**COUNCIL PRIORITY: PEOPLE FIRST**

**1. EXECUTIVE SUMMARY**

- 1.1 Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme, revise the scheme, or replace it.
- 1.2 The Council carried out a full review of its Council Tax Reduction Scheme. The review was one of the Councils key projects for 2022/23 included in the Council Delivery Plan and resulted in the introduction of a banded scheme from 2023/2024. The new scheme is now in its first year.

**2. RECOMMENDATIONS**

- 2.1 That Council approve the new branded scheme for working age applicants which remains unchanged for 2024/2025.
- 2.2 That Council note that the new scheme has had a greater financial impact than expected, and any resultant Collection Fund shortfall will be split between the Council and its Major Precepting Authorities. The Councils share will be around 12%.
- 2.3 That Council note that the Discretionary Exceptional Hardship Scheme, previously agreed to provide additional transitional support, has been underspent, largely due to the positive impacts of the main scheme. (The surplus of this will be used to off-set the impact on the District Council in relation to the main scheme)
- 2.4 That Council note a further review is being undertaken during 2024/2025, to ascertain any further changes to be considered for the scheme in 2025/2026.

### **3. REASONS FOR RECOMMENDATIONS**

3.1 To ensure that the Council has a Council Tax Reduction Scheme that continues to:

- Provide the greatest support to the lowest income households.
- Reduce the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC)
- Be simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.

### **4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 There is a requirement to provide a Council Tax Reduction Scheme. The purpose of this report is to consider whether the scheme meets the needs of providing support where it is required and is affordable. There has not been time to be able to review and analyse the impact of the new scheme, propose revisions to the scheme and carry out the required consultation. Therefore, this will take place during 2024/25.

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 The Executive Member and Deputy Executive Member for Finance and IT have been consulted throughout.

5.2 Consultation was undertaken in line with the statutory requirement with:

- The County Council (including Fire & Rescue)
- The Hertfordshire Police and Crime Commissioner (PCC)
- The Public

5.3 No comments were received from the County Council, PCC or the Public.

### **6. FORWARD PLAN**

6.1 This report was first notified to the public in the Forward Plan on the 2 November 2023.

### **7. BACKGROUND**

7.1 The current Council Tax Reduction Scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.

7.2 Pensioners, subject to their income, can receive up to 100% support towards their Council Tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of Council Tax Reduction can only be made to the working age scheme.

7.3 A full review was carried out in 2022/2023, with public consultation. The Council opted to create a banded scheme for 2023/2024, with a key aim to be able to provide the greatest support to those most in need.

## **8. RELEVANT CONSIDERATIONS**

8.1 In previous years, Cabinet has considered whether any changes to the Housing Benefit Regulations should be reflected within the Council's CTRS Scheme. There have been no changes to the Housing Benefit Regulations, which require adoption within the Council's CTRS for 2024/2025.

8.2 Where it has been recommended to make any changes to the Scheme, these have to be the subject of public consultation before a final recommendation is made to the Council for adoption or not into the Scheme. As no changes are being proposed a light touch consultation has taken place and no comments received.

8.3 The banded scheme that was introduced in 23/24 was designed to meet a number of key objectives, these were,

- To provide the greatest support to those on the lowest income
- To reduce the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC)
- To be simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.

### **8.4 To provide the greatest support to those on the lowest income.**

8.4.1 This has been achieved by having a banded scheme that provides 100% support to those on the lowest income. Although we have not yet completed a full year of the new scheme, we can see that claimants who have historic council tax arrears are not accruing further arrears in the current year, due to receiving a higher reduction on their council tax.

8.4.2 The feedback from the consultation exercise agreed with a higher level of support to those households on the lowest of incomes. This has been reinforced with the cost-of-living crisis. Feedback from Citizens Advice also reflects that the current scheme better supports those most in need.

8.4.3 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 the lowest income households, had been unable to pay the balance leading to additional costs, court and enforcement action, and, in some cases, the amounts demanded have eventually been written off as uncollectable. The costs of administration of these cases by the Council had previously increased significantly over the years, these costs are borne solely by the Council. The current scheme addresses these issues by an increase in entitlement to 100% for those on the lowest income.

### **8.5 Reduce the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC)**

8.5.1 The introduction of Universal Credit within the district 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 changes to UC cases received from the Department for Work and Pensions (DWP) requiring a change to Council Tax Reduction entitlement. On average most UC claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the recalculation of instalments, delays, and the demonstrable loss in collection.
- increased costs of administration through multiple changes with significant additional staff and staff time being needed. It is estimated that on average the Council receives around 39,000 notifications per year of change from the DWP for claimants on UC, that is a significant administrative burden that is likely to increase.

8.5.2 The number of Universal Credit claimants at present who are within the Council Tax Reduction Scheme is 3347 which represents 70% of the working age caseload. The number of UC claimants will increase during 2024 as cases migrate to UC and the majority of work within the working age cohort will revolve around these cases.

8.5.3 The new banded scheme has made it easier for customers to make a claim and has significantly reduced the administrative burden on Council staff and customers who no longer need to keep providing new evidence.

8.5.4 The scheme now avoids constant changes in discount, the need for multiple changes in instalments as the income bands are sufficiently wide to avoid constant changes in discount and the need to recalculate monthly instalments. This also assists in maintaining the collection rates and the requirement to issue a large number of council tax demands has reduced.

8.5.5 For Universal Credit applicants any UC data received from the DWP are treated as a claim for Council Tax Reduction. Where information is received from DWP, the entitlement to Council Tax Reduction is being processed automatically without the need to request further information from the customer. These changes have the following distinct advantages:

- **Speed of processing** – all claims can be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays.
- **Maximising entitlement to every applicant** - as there will be no requirement for Universal Credit applicants to apply separately for Council Tax Reduction, and for all other applicants, the claiming process is simplified significantly. Entitlement to Council Tax Reduction will be maximised with a reduced risk of loss of discount or the need for backdating.

8.5.6 The full migration of all legacy benefits to UC is now taking place during 2024, therefore reducing the administration in relation to claimants on UC has been beneficial.

8.6 **To be simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.**

- 8.6.1 With the simplicity of the new scheme and by taking a more Council Tax discount approach, customers are able to calculate entitlement and understand their ongoing entitlement, making it easier to budget. Anecdotally we know that more customers are now willing to pay by direct debit as the liable amount is consistent and less prone to changes, as it had been previously.
- 8.6.2 All applicants see a significant reduction in the claiming process and, where possible, Council Tax Reduction is awarded automatically. In line with our People First priority the scheme is easier for our customers to understand and available for them to access and calculate their entitlement at any time.
- 8.6.3 Our Customer Service Strategy continues to commit to making it easier for customers to access our services and the simplified scheme supports that objective.

## 8.7 Details of the current banded scheme.

8.7.1 The Banded Scheme Table (below) shows the category and income bands.

Band	Discount	Single Person	Single Person with one child	Single Person with two children	Single Person with three or more children	Couple with no children	Couple with one child	Couple with two children	Couple with three or more children
1	100%	£0 to £100.00	£0 to £165.00	£0 to £220.00	£0 to £330.00	£0 to £140.00	£0 to £205.00	£0 to £260.00	£0 to £340.00
2	75%	£100.01 to £180.00	£165.01 to £245.00	£222.01 to £300.00	£330.01 to £385.00	£140.01 to £220.00	£205.01 to £285.00	£260.01 to £340.00	£340.01 to £395.00
3	45%	£180.01 to £240.00	£245.01 to £305.00	£300.01 to £360.00	£385.01 to £445.00	£220.01 to £280.00	£285.01 to £345.00	£340.01 to £400.00	£395.01 to £455.00
4	25%	£240.01 to £300.00	£305.01 to £365.00	£360.01 to £420.00	£445.01 to £505.00	£280.01 to £340.00	£345.01 to £405.00	£400.01 to £460.00	£455.01 to £515.00
5	0%	Over £300.01	Over £365.01	Over £420.01	Over £505.01	Over £340.01	Over £405.01	Over £460.01	Over £515.01

- 8.7.2 The highest level of discount is at 100% of the Council tax liability (Band 1) meaning, someone with 100% discount is not expected to contribute towards their Council Tax bill. All current applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) will receive this maximum discount, likewise those whose only income is universal credit will also receive 100% discount.
- 8.7.3 All other discount levels are based on the applicant's and partner's (where they have one) net income.
- 8.7.4 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 are no charges made where an applicant has non-dependants living with them. This means that the

administration of the scheme is more straightforward whilst also protecting low-income families where adult sons and daughters remain at home.

8.7.5 To encourage work, a standard £50 per week disregard is provided against all earnings. 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. Further disregards are listed below:

- Disability benefits such as Disability Living Allowance (DLA) and Personal Independence Payment (PIP) and Limited Capability to work will continue to be disregarded.
- Where any applicant, their partner or dependent child(ren) are in receipt of a disability benefits such as PIP or DLA, a further disregard of £50 per week will be given.
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded.
- Child benefit and Child Maintenance will be disregarded.
- 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.
- The capital limit of £16,000 with no tariff (or assumed income) being applied.

## **8.8 Exceptional Hardship Scheme**

8.8.1 The Council was mindful that the transition to the current scheme would result in a change to the entitlement of some applicants and so contained a provision for additional discretionary support to individuals who experienced exceptional hardship. Where any applicant was likely to experience exceptional hardship, they were encouraged to apply for a CTR hardship award for a specified period of time. However, the take-up for this has been low, mainly due to the support awarded within the scheme, which has meant that those experiencing hardship as a result of the change in the scheme has been limited. The Council has considered all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate, further support has been given to the applicant.

8.8.2 The funding allocated for this transitional scheme has not been fully utilised. The intention is that this will be used to off-set the district councils' extra expenditure as per the recommendation at 2.3.

## **9. LEGAL IMPLICATIONS**

9.1 The Council is required to maintain and annually review its Council Tax Reduction Scheme in accordance with Section 13A and Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012).

- 9.2 Schedule 1A to the Local Government Finance Act 1992 requires the Council to make any revision to its scheme or any replace scheme no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 9.3 Full Council's terms of reference include at 4.4.1 (z) "approving the Council Tax Reduction Scheme".
- 9.4 Section 3(1) of Schedule 4 of the Local Government Finance Act 2012, which inserts Schedule 1A to the Local Government Finance Act 1992 requires the Council to consult on any changes to its scheme as follows:
- 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.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Council Tax Reduction Scheme in 23/24 costs approximately £8.95m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:
- County Council (including Fire and Rescue Service) (76.%)
  - Police and Crime Commissioner (11.4%)
  - District Council (12%)

These proportions are based on the overall share of Council Tax income and will change over time in line with decisions made by each Authority on levels of Council Tax increase. Recently, these have mainly been affected by the levels of increase (without a local referendum) that have been allowed by Government.

The costs of Council Tax Reduction are not funded by the Precepting Authorities directly. Instead, the estimated level of eligibility is converted into a number of band D equivalent properties. That then reduces the overall tax base (i.e., the number of properties expected to pay Council Tax), and therefore the amount of income that each Precepting Authority should expect to receive. Differences between what was expected, and the amount actually collected are managed through a Collection Fund. The precepting Authorities will share any surpluses or shortfalls in the following year.

- 10.2 The approach and shape of the scheme has changed, and the overall approach is now providing additional support to those households on the very lowest incomes, which would seem particularly relevant at a time when there is a cost-of-living crisis and high inflation. Current scheme costs are higher than what was expected due to a number of factors:
- 5% overall increase in Council Tax – modelling was carried out on a like for like basis and did not reflect any potential increase in council tax. Although, an increase in Council Tax rates would generally not impact on the actual tax base.
  - Disregard of Limited Capability for work – modelling on this could not be done in advance as the tool was not available, however this was considered to be important to include to support the most vulnerable who have a limited capability to work.

- Previous administration of the rent element within universal credit claims had not been disregarded. This was not identifiable during the initial modelling.
- During 23/24 the council distributed support payments of up to £25 to a number of claimants. This figure was not included in the modelling; however, it has reduced our collectable amount of council tax.

10.3 The increased costs of the scheme will mean a shortfall in income compared to what we expected to collect within the collection fund in 2023/24, and this loss will impact funding in the 2024/25 financial year. North Herts share of this loss will be offset by a corresponding amount of unspent Council Tax Discretionary Hardship grant released to the General Fund. The availability of the surplus grant is due to limited take up of the Council Tax Hardship Scheme.

10.4 During 24/25 we will carry out another review and continue to model a range of adjustments to see if the increased cost of the current scheme can be reduced without having a significant adverse impact on residents. We will also factor in a general % increase in Council tax to include this in our predicted spend.

## **11. RISK IMPLICATIONS**

11.1 Whilst we now have better information on the factors that have increased the cost of the scheme, it is still difficult to predict the number of households that will be eligible and the extent of that entitlement. General economic factors can have an impact on the cost of the scheme, and it is unknown whether the cost of the scheme will now come down (as inflation comes down) or whether it could increase further (with less positive economic forecasts). The only way to mitigate the risk of increasing spend is to make the Scheme less generous. This in turn will mean increases in the amount of Council Tax to be collected, which may prove counter-productive and move the problem into increased bad debts.

## **12. EQUALITIES IMPLICATIONS**

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 It should be noted that this scheme only applies to and impacts a specific age group: working-age claimants. The new scheme aims to improve accessibility to the scheme for all claimants through a simplified process; and improve the support available to those that are on the lowest incomes.

12.3 An equalities impact assessment was completed on the current scheme before it was implemented. As there are no changes being proposed for 23/24 another assessment is not required.

## **13. SOCIAL VALUE IMPLICATIONS**

13.1 The Social Value Act and “go local” requirements do not apply to this report.

**14. ENVIRONMENTAL IMPLICATIONS**

14.1 There are no known Environmental impacts or requirements that apply to this report.

**15. HUMAN RESOURCE IMPLICATIONS**

15.1 There are no direct Human Resources implications in this report.

**16. APPENDICES**

16.1 None

**17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

18.1 None