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| Subject: | Council Tax Reduction Scheme 2021/22 | | |
| Date of Meeting: | 28 January 2021 21 January 2021 - Policy & Resources Committee | | |
| Report of: | Acting Chief Finance Officer | | |
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| Ward(s) affected: | All | | |

FOR GENERAL RELEASE**1 PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Each financial year, national legislation requires the council to consider whether to revise or replace their local Council Tax Reduction (CTR) Scheme for working age people.
- 1.2 This year, Covid-19 has increased financial uncertainty for many residents in the city, and the council has endeavoured to ensure that people are supported, including implementation of the government's Covid-19 Hardship Fund which provided an additional discount of £150 for eligible claimants.
- 1.3 Council Tax Reduction helps thousands of households on a low income to pay their Council Tax and so, in reviewing the scheme, there are opportunities to improve the support available to claimants but this must obviously be balanced with the financial cost and affordability of any changes to the scheme.

2 RECOMMENDATIONS:

That the Policy & Resources Committee recommends to Council that:

- 2.1 The maximum rate of Council Tax Reduction discount be increased from 80% of Band D to 82% of Band D.
- 2.2 The minimum award of Council Tax Reduction be reset to one of three options to be recommended by the Policy & Resources Committee:
 - 1) Option 1: reset the minimum award to 50p per week;
 - 2) Option 2: reset the minimum award to 20p per week;
 - 3) Option 3: reset the minimum award to 1p per week.
- 2.3 Funding of £0.200m be allocated for the Discretionary Council Tax Reduction fund.
- 2.4 The requirement for completing a Council Tax Reduction claim form be removed for Universal Credit recipients, in the circumstances described in paragraph 4.9 of the report.
- 2.5 It is noted that the council's appointed S151 Chief Financial Officer will, prior to 1 April 2021, exercise delegated powers to increase the appropriate calculative elements of the scheme to give effect to national changes.

- 2.6 It is noted that a more fundamental review of the Council Tax Reduction Scheme will be undertaken and consulted on for 2022/23, including the alignment of the scheme with a wider review of the council's Welfare Support Framework.

3 CONTEXT/ BACKGROUND INFORMATION

- 3.1 A localised system of Council Tax support was introduced in 2013, following the abolition of the national Council Tax Benefit system. The law requires that the scheme for pensioners retains the same eligibility and awards as the previous Council Tax Benefit scheme. However, a local authority may design its own Council Tax Reduction (CTR) scheme for working age households. To account for an immediate 10% reduction of government funding in 2013, the Council agreed a local CTR scheme which changed the rules for working age people, principally a change in the maximum discount from 100% to 91.5% of their Council Tax liability.
- 3.2 Subsequent years saw more changes, as government funding was further reduced (Appendix 2 outlines the changes over the years). Since April 2016, the maximum available discount has been 80% of Band D. Approximately 9 in every 10 CTR recipients (around 11,000) receive the maximum discount rate. This means that all working age recipients are asked to pay a minimum 20% of their household Council Tax, amounting to an average of £260.61 for a Band A property in the 2020/21 year.
- 3.3 Each year the Council is required to review the local CTR scheme and this review must be considered by full Council. A more fundamental review of the scheme had been planned for 2021/22 pursuant to a recommendation at the 5 December 2019 Policy & Resources Committee. However, Covid-19 has severely impacted on the ability of the Revenues & Benefits team to undertake a detailed review due to the very large number of Covid-19 business grants, discretionary funds, emergency assistance and hardship funds the team have had to administer as well as managing a substantial increase in CTR claimants and distribution of food and Local Discretionary Fund vouchers for people in hardship. Similarly, Covid-19 could also have impacted on the consultation time available.
- 3.4 To accommodate the impact of the pandemic, for 2021/22 the review has been scaled down to look at a small number of changes to existing parameters within the scheme, which can still have significant impact, and the review timetable has been put back to January Policy & Resources Committee and full Council, rather than December, to enable a 6 week consultation period to be undertaken. However, next year a full and fundamental review of the CTR Scheme will be undertaken for the 2022/23 financial year, including considering how the scheme aligns with and can complement the council's wider Welfare Support Framework.

4 PROPOSED CHANGES 2021/22

- 4.1 Suggested changes to existing parameters of the scheme were put forward on the basis of providing a modest increase in the support available to working age claimants while taking into account the council's very challenging financial situation. The changes proposed were as follows:
- a) To increase the maximum discount from 80% to 82%;
 - b) To reduce the minimum award from £5.00 per week to 50p per week;
 - c) To apply CTR automatically (i.e. without the need to complete a claim CTR form) for most Universal Credit claimants who have indicated that they wish to claim a CTR discount; and

d) To maintain the Discretionary CTR fund at the higher level of £0.200m.

4.2 In considering any changes, it should be noted that the claimant count for CTR has increased by around 13% since the first Covid-19 lockdown in March 2020. As at the end of December 2020, there were 12,246 working age households in receipt of CTR, and 6,983 households of pensionable age. The rate of increase stabilised between August and October but has started to increase again since November. It is as yet unknown whether claim numbers will continue to increase as a consequence of the latest national lockdown .

Increasing the Maximum Discount

4.3 The proposed increase of the maximum discount from 80% to 82% is estimated to benefit a projected 12,000 households in 2021/22. Using an example calculation based on 2020/21 Council Tax bands, a household on maximum CTR in Band A would save £26.06, whilst a household in Band D would save £39.09 per year. The overall cost of this proposed change is estimated at £0.310m.

Resetting the Minimum Award

4.4 Like its predecessor, Council Tax Reduction is means-tested, measuring an applicant’s needs against their income and savings. The scheme is necessarily complex to allow for variations in household size and income, alongside other factors such as disability. Since 2017, the scheme has had a rule that a household must qualify for at least a £5.00 per week CTR discount before they are awarded the reduction.

4.5 It is possible to reset the minimum award to a lower level to bring more households into the scheme, albeit at a low level of award. The consultation asked about potentially reducing the minimum award from £5 per week to 50p per week as a principle, however, three options for resetting the minimum award are provided below. The options are based on minimums of 50p per week, 20p per week and 1p per week (i.e. effectively, no minimum). The options indicate the estimated additional households that would be brought into the scheme, the estimated additional cost of administration, and the potential advantages and disadvantages.

| Minimum Award Options | | |
|--|------------------------------------|-------------|
| Option 1: | Extra households entitled * | Cost |
| Reduce Min. Award from £5 to 50p per week (£26 per annum) | 335 | £43,000 |
| <p><u>Potential advantages</u> Matches the pensioner CTR Scheme (and old Council Tax Benefit scheme). May still be a meaningful and supportive discount to many. Brings more people onto the benefit, which may entitle them to other general help or discounts **</p> <p><u>Potential disadvantages</u> £26 might still be a meaningful amount of discount for some very vulnerable households but it is worth noting that these cases would be for those whose income places them on the fringe of being entitled, so they are not as financially vulnerable as those who receive a greater or full CTR award.</p> | | |

| Option 2: | Extra households entitled * | Cost |
|--|------------------------------------|-------------|
| Reduce Min. Award from £5 to 20p per week (£10 per annum) | 355 | £46,000 |
| <p><u>Potential advantages</u> £10 per annum may still be an amount that households could usefully use. Brings more people onto the benefit, which may entitle them to other general help or discounts **</p> <p><u>Potential disadvantages</u> Inequity with the (statutorily fixed) pensioner scheme. May be on the borderline of whether it has any real value (i.e. 20p per week) to households and the administrative cost exceeds the value of the award. Estimates suggest it would only bring an additional 40 households into benefit compared (i.e. in addition to option 1). Possibility that even the people in receipt of the discount could be critical of the council issuing a 20p per week award.</p> | | |
| Option 3: | Extra households entitled * | Cost |
| No minimum award (i.e. effectively sets it at 1p per week (52p per annum) | 370 | £46,000 |
| <p><u>Potential advantages</u> Sends a clear statement that the council will pay anyone who is entitled to a discount, no matter how minimal. Brings more people onto the benefit, which may entitle them to other general help or discounts **</p> <p><u>Potential disadvantages</u> A financially meaningless discount of 1p per week (52p per annum) may draw criticism. Possibility that even the people in receipt of the discount could be critical of issuing a 1p per week award. Administrative cost far exceeds the award. Inequity with (statutorily fixed) pensioner scheme.</p> | | |

* *Estimated additional households that would be entitled based on current case information.*

** *It is not possible to state precisely what entitlements this may bring, if any, but, for example, some services (e.g. some Vets) offer services free or at discounted prices if a person can show they are in receipt of benefits which may be valuable to many.*

Determining the level of the Discretionary CTR Fund

- 4.6 The council supplements the main CTR scheme with a Discretionary Council Tax Reduction (DCTR) fund. In 2020/21, £0.200m was allocated towards DCTR (increased from £0.150m in previous years). The scheme is used to “top up” CTR claims so that entitlement is increased to cover some or all of the remaining Council Tax liability not covered by CTR.
- 4.7 The current expenditure on DCTR is lower than expected, due to the government already providing additional Covid-19 financial hardship support for CTR recipients. The council received £2.330m additional funding earlier in the year, to

be distributed to existing Council Tax Reduction claims for 2020/21, up to a maximum value of £150 per household. £1.970m is already allocated to existing claims as at the end of November. There is an expectation in the government guidance that underspent funding will be allocated to those in need of assistance where possible. Policy & Resources Committee approved that any remaining resource from this fund is used to augment existing discretionary funds

- 4.8 The proposal for 2021/22 is to maintain the DCTR at £0.200m which will require allocation from one-off resources within the proposed 2021/22 General Fund revenue budget.

Removing the requirement for claim forms in certain circumstances

- 4.9 When a person makes a claim for Universal Credit with the DWP, they can indicate whether or not they wish to claim CTR as well. The DWP then notifies the Local Authority of the person's intention. CTR rules require that the Local Authority invites that person to complete a CTR claim form. However, for UC claimants, this process is a duplication, as they will already have given most of the necessary details to the DWP as part of their UC claim. Whilst the Local Authority does not have access to the UC claim system, we are able to award CTR on the basis that the DWP has already carried out the necessary checks and means-testing. Removing the need for a CTR claim form in this situation would mean less administration and more efficient processing of claims. The option is safe as the person would already have been subject to verification checks by the DWP.
- 4.10 There is an associated knock-on improvement in the smoothness of Council Tax collection, because until CTR is calculated, the household's Council Tax bill cannot be updated. The sooner a household's CTR is calculated, the sooner a bill can be issued for the remaining balance.
- 4.11 In a proportion of cases there would still be some information we would need to request from the claimant concerning their Non-Dependants. In these scenarios, a claim form would still be required.

Precepting Authorities and Calculative Elements

- 4.12 The council collects Council Tax on behalf of the East Sussex Fire Authority and the Police and Crime Commissioner for Sussex; any decisions the council makes relating to the CTR scheme affects the council tax base and in turn the resources these precepting authorities can generate
- 4.13 The calculative elements of the scheme are updated each year in line with national amounts under the delegated powers of the Executive Director of Finance & Resources currently exercised by the Acting Chief Finance Officer.

5 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 5.1 There are other mechanisms within the CTR scheme that could be altered to make it more or less supportive. For example, the extent to which a person's earnings and income affects their entitlement (known as 'the taper'). However, less than 10% of working age households have their CTR reduced as a result of the taper, so changing this element would not impact (benefit) as many people as the proposals outlined above.
- 5.2 Some Local Authorities have moved to an entirely new method of Council Tax support, where calculations are based on the band of income that a household falls into, rather than individual income assessments. However, this would be a significant undertaking requiring full analysis of the impact on our residents and

extensive consultation. As explained above, the capacity to consider and research a fundamental change of approach this year has been impacted by the pandemic and also introducing such uncertainty would be problematic in the context of national and local uncertainty.

- 5.3 Another alternative is to leave the scheme unchanged. There will be challenging budget decisions for the 2021/22 year and any funding allocated to increase CTR support to working age claimants could alternatively be put toward other priority services and provision or, if not allocated, would reduce pressure on the General Fund budget and reduce the need for savings elsewhere. However, a key priority for the council, as set out in its Corporate Plan, is to support vulnerable people and reduce inequality, and this is one of the most wide-reaching methods at the council's disposal.

6 COMMUNITY ENGAGEMENT & CONSULTATION

- 6.1 In line with legislative requirements, consultation has been undertaken with the Sussex Police and East Sussex Fire authorities. A public consultation began on 20 October 2020 and concluded on 1 December 2020 and participation was encouraged by sending an electronic mailshot to a cross-section of approximately 13,000 residents. The voluntary sector was consulted using an on-line video conference session on 17 November 2020. For those residents not digitally enabled, a phone line was promoted through the on-hold message of the Council Tax public service line to enable paper copies of the consultation to be posted out, on request. In addition, customers who phoned the advice lines for Together Co and Possability People during this period were informed about the open consultation and the option to submit a paper response.
- 6.2 The Sussex Police Authority has responded that it fully supports the proposal to increase maximum CTR to 82%, and to reduce the minimum £5 award requirement of CTR.
- 6.3 The East Sussex Fire Authority has responded that it recognises the impact of Covid-19 on local communities and the need to support those who are vulnerable, both financially and for other reasons. However, in common with other local authorities they are already facing significant financial challenges due both to reductions in government funding and the impact of Covid-19. They further stated: "Council Tax is our most important funding stream (70% in 2020/21). The Authority will need to take account of any further reduction in council taxbase on its income when considering options for achieving a balanced budget for 2021/22 and beyond."
- 6.4 There were 597 responses to the public consultation. All of the proposed measures attracted strong support.
- 6.5 Over 80% agreed with making the scheme more supportive in general (66.7% of whom strongly agreed). 71.7% agreed with increasing the maximum CTR rate, with around 20% thinking it should increase to 82% and 40% thinking it should be more than 82%. There was a lower percentage of respondents (56.5%) who agreed with resetting the minimum award to zero or £0.50p. There was support for increasing the Discretionary Payment fund, with 67.9% of respondents agreeing. Finally, the proposal to remove the requirement for a claim form in certain circumstances attracted support from around 70%.
- 6.6 Additional freeform comments are included in Appendix 1. Whilst this data is challenging to analyse statistically, it is possible to identify themes. For example,

where people had concerns about the proposals, it was often around the impact on Council Tax bills going up for all other residents and whether or not other council departments would have their funding reduced, thereby impacting on services. It has also been highlighted that there is a group of people for whom there is no CTR entitlement as their income is just over the entitlement threshold, and yet these people have been also been impacted by Covid-19, specifically those households whose income has been reduced by Furlough or have had their hours of work reduced.

- 6.7 The consultation did not give rise to a need for the proposals to be amended. However, members may wish to note the concerns raised about how the changes would be funded and whether there would be a detrimental impact on the very same services that vulnerable people rely on. These concerns were highlighted by a selection of respondents in all categories, whether they agreed, or were unsure about the proposals. In terms of the group of people who are struggling but not quite entitled to CTR, removing the £5 minimum award requirement will bring a modest amount of households into entitlement. There are also potential opportunities to assist these groups from other temporary government funds, such as the Winter Covid grant and Local Discretionary Social Fund. Officers will ensure that where feedback is relevant from the CTR consultation, it will be fed into discussions about how those discretionary funds are allocated.

7 CONCLUSION

- 7.1 By changing the thresholds for two of the key Council Tax Reduction criteria, the council can assist up to around 12,000 working age households. If approved, this would provide both practical and symbolic support for some of the most vulnerable households in the city.

8 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 Changes in the number of claimants and the planned council tax increase in 2021/22 will affect the overall cost of the scheme regardless of other changes. The number of claimants has increased considerably due to the pandemic and it is particularly challenging to estimate to what extent this may level off next year as the city comes out of lockdown and as vaccination programmes are rolled out and begin to impact. The estimated cost of the proposed 2021/22 CTR scheme has been reflected in the Council Tax Base report elsewhere on the Policy & Resources Committee agenda.
- 8.2 The proposed changes to the scheme in this report are estimated to add up to £0.356m to the cost of the scheme. Provision of £1m had been put in the Medium Term Financial Strategy for 2021/22 toward supporting Corporate Plan priorities. This increase in the cost of the CTR cost would be a first call on this allocation and an estimate was included in the draft budget to Policy & Resources Committee on 3 December 2020. However, as with other commitments and service pressure funding, this ultimately adds to the projected budget gap in 2021/22, requiring savings to be found elsewhere to balance the budget as required by law.
- 8.3 It is also proposed to maintain the discretionary CTR fund at the level provided in 2020/21 of £0.200m. The existing recurrent budget is £0.010m and has been supplemented each year by one-off funding and therefore this will require additional one-off funding of £0.190m in the 2021/22 budget. This allocation is

included within the draft budget report elsewhere on this agenda and will be treated as a commitment in setting the 2021/22 budget if approved.

Finance Officer Consulted: James Hengeveld

Date: 25/11/20

Legal Implications:

- 8.4 Section 67 of the Local Government Finance Act 1992 requires that the making or any revision to a Council Tax Reduction scheme be approved by the authority itself; such a determination is not capable of delegation to a Committee. Accordingly, approval for the revisions to the scheme must be obtained from full Council. Recommendations 2.1 to 2.3 above reflect this requirement.
- 8.5 The council is empowered by the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 to pay up to 100% of an eligible individual's council tax, so the recommendation to increase the maximum rate of Council Tax Reduction from 80% of Band D, to 82% of Band D, is within the council's powers.

Lawyer Consulted: Liz Woodley

Date: 23/11/2020

Equalities Implications:

- 8.6 We do not anticipate any negative impacts on those with protected characteristics, as the measures will make CTR uniformly more supportive. For example, the CTR caseload shows that those with a disability are disproportionately likely to be recipients of CTR, along with women, who are more likely to be the head of a lone parent household. However, the new proposals mean that both groups would receive more support.
- 8.7 The EIAs for the Recovery and Renewal programme are linked and also help to provide insight for vulnerable groups in the CTR arena. The work being undertaken in the vulnerability, Welfare Support and Food project 'cells' all complements the aims of supporting the City's most vulnerable residents.
- 8.8 One category highlighted as a concern is not from a specific protected characteristic, but instead from a financially vulnerable cohort. Those households on the cusp of entitlement are seeing increased debt and financial pressure, and yet just miss out on CTR. By reducing the minimum award level, it is anticipated that around 370 more households will become eligible for CTR.

Sustainability Implications:

- 8.9 There are no specific sustainability implications.

Brexit Implications:

- 8.10 Some of the same risks around Brexit also impact in the welfare area. For example, if there are disruptions to the supply chain for food, medical supplies and other essential items, this could impact on availability of those items and also cost. The more vulnerable households in the city would be more adversely impacted in such circumstances. Whilst CTR cannot mitigate those risks, there is clearly some benefit in making the scheme more supportive.

Any Other Significant Implications:

None.

SUPPORTING DOCUMENTATION

Appendices:

1. Summary of Consultation Responses
2. Details of previous scheme changes
3. Ward Breakdown of the CTR Scheme
4. Equality Impact Assessment

Background Documents

1. Consultation responses held by the Revenues & Benefits team.

