

**Teignbridge District Council
Executive
8 February 2022
Part i**

Council Tax Reduction Scheme 2022-23

Purpose of Report

To provide an update to members on the operation of the Council Tax Reduction Scheme during 2021-22 and to advise members that the scheme needs to be reviewed and formally adopted by Council for the year 2022-23.

The report proposes no change to the Council Tax Reduction Scheme itself but refers members to the need to use one of the existing provisions within the current scheme to increase the upper and lower income thresholds in Band 1 and 2 respectively by £3.00. This will protect claimants from any potential loss of support arising from the national 3.1% annual uprating in primary benefits.

Recommendation(s)

The Executive RECOMMENDS to Council that:

- i. The existing provisions within the Scheme are used to increase the upper income threshold in Band 1 from £75.00 to £78.00 and the lower threshold in Band B from £75.01 to £78.01.
- ii. The Council Tax Reduction Scheme (attached as Appendix A) is adopted for the year 2022-23.

Financial Implications

The financial implications are highlighted in 2.6, 4.1 and 4.2 and these additional costs are considered as part of the council tax and council tax base numbers within the budgetary process

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Legal Implications

The legal implications are highlighted in 4.2, 4.3 and 4.4.
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Risk Assessment

This is a no change proposal and is therefore considered low risk. See para 4.5 of the report

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Environmental/Climate Change Implications

There are no environmental or climate change implications associated with the recommendations of this report.

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Executive Member

Cllr Richard Keeling – Executive Member for Resources

Appendices/Background Papers

Appendix A – [Council Tax Reduction Scheme 2022-23](#) (proposed)
Appendix B - [Discretionary Discount and Exceptional Hardship Relief Policy](#)

1. Introduction/Background

- 1.1 On 14 January 2020 Teignbridge adopted a new Council Tax Reduction Scheme for working age claimants. The new scheme represented a departure from the previous fully-means tested scheme which was complex and costly to administer, to a new discount-based, income-banded scheme which is simpler for customers to understand and easier to administer.
- 1.2 The new scheme continues to provide up to 100% support and disregards certain incomes when calculating entitlement. In order to maintain work incentives we introduced a standard earnings disregard of the first £25 of earned income and introduced a Return to Work Incentive, continuing to pay Council Tax Reduction for one month beyond the return to work date.
- 1.3 Shortly before the new scheme came into effect on 1st April 2020, the Covid-19 outbreak occurred and the Government introduced a raft of emergency measures to support people through the pandemic. These included:

- An increase in the standard allowance for Universal Credit and Working Tax Credit claimants of £20.00 per week
- Assessment of actual earnings for self-employed claimants where these are below the minimum income floor
- a new hardship scheme, providing local authorities in England with £500 million of new grant funding to enable a reduction of up to £150.00 to be applied to the council tax bills of all working age Council Tax Reduction claimants during the year 2020-21.

1.4 Teignbridge was allocated £940,055 to cover the cost of awarding relief under the new hardship scheme We also used the funding to increase support which would otherwise have been lost as a result of the additional Universal credit award of £20.00 per week. We also provided support to self-employed claimants who, because of Covid, were unable to achieve earnings equivalent to the national minimum or living wage.

1.5 In 2021-22, to ensure the scheme could respond to any extended or future Government imposed changes to welfare payments, the Council approved a new provision within the scheme to allow any emergency increases to the levels of welfare benefits made by Government to be disregarded,

1.6 The main scheme is underpinned by our Discretionary Discount and Exceptional Hardship Policy available at Appendix B. The exceptional hardship element of the scheme operates as a safety net for households negatively affected by changes to the main Council Tax Reduction scheme and/or who receive only partial support from the main scheme. Applications are considered on their merits and, depending on circumstances, claimants can also access budgeting and income-maximisation advice via our Homemaker Service as well as receiving financial support in the form of a reduction in council tax liability.

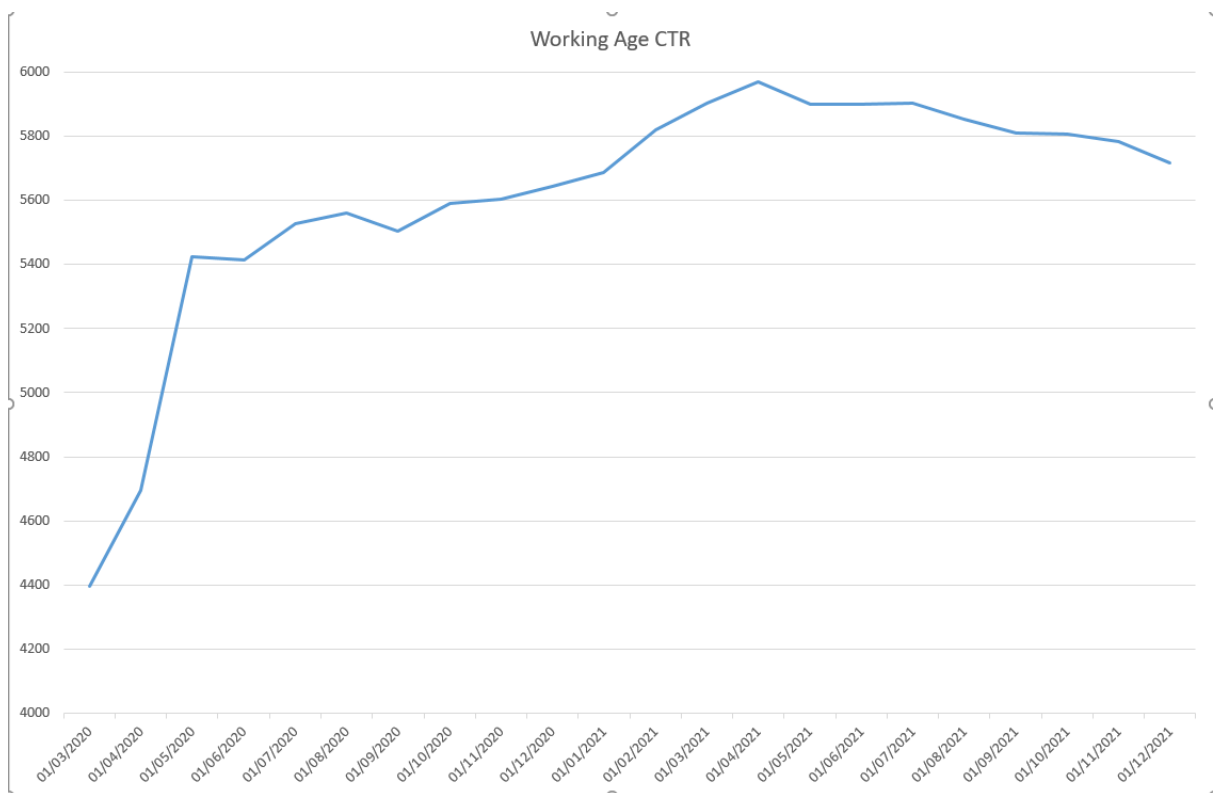
2. Impacts of Covid-19 on caseload and collection rates

2.1 In the first few months following the Covid-19 outbreak we experienced an unprecedented increase in the number of working age Council Tax Reduction claimants. This was largely driven by the increase in Universal Credit claimants who consequently became entitled to Council Tax Reduction. Following a high point in March 2021 with 6,427 households on Universal Credit, the numbers now appear to be reducing, with 5,842 households on Universal Credit in August 2021 (most recent DWP household data available).

2.2 The impact on number of working age Council Tax Reduction claimants each month is shown below:

Date	Working Age CTR	Change	% change
31/03/2020	4397		
30/04/2020	4695	298	6.78%
31/05/2020	5423	728	15.51%
30/06/2020	5414	-9	-0.17%

31/07/2020	5526	112	2.07%
31/08/2020	5561	35	0.63%
30/09/2020	5504	-57	-1.02%
31/10/2020	5589	85	1.54%
30/11/2020	5604	15	0.27%
31/12/2020	5644	40	0.71%
31/01/2021	5686	42	0.74%
28/02/2021	5821	135	2.37%
31/03/2021	5904	83	1.43%
30/04/2021	5968	64	1.08%
31/05/2021	5900	-68	-1.14%
30/06/2021	5901	1	0.02%
31/07/2021	5903	2	0.03%
31/08/2021	5852	-51	-0.86%
30/09/2021	5811	-41	-0.70%
31/10/2021	5807	-4	-0.07%
30/11/2021	5785	-22	-0.38%
31/12/2021	5716	-69	-1.19%



2.3 After an initial surge in May 2020, numbers have remained fairly static in the months since, with what appears to be the start of a reduction in number of claimants since August 2021. With furlough ending from September we expected to see an uptake in claimant numbers but this did not materialise. It's too early to say whether this reduction will be sustained but as the economy continues to improve we could perhaps expect to see a continuing downturn in

claimant numbers. However, the emergence of any further COVID variants may reverse this trend.

- 2.4 Pension age claim numbers, which are less susceptible to economic impacts of COVI, have reduced over the last 2 years, with a 7.5% reduction in numbers over the period March 2020 (4,187 claimants) to December 2021 (3,872 claimants)
- 2.5 This increase in overall claimant numbers, together with annual council tax increases, has impacted on total spend. Total scheme costs for each year from 1st April 2019 are shown below:

01.04.2019	£9,232,937
01.04.2020	£9,622,047
01.04.2021	£11,319,269
13.01.2022	£10,928,421

- 2.7 The cost of the scheme is shared between Teignbridge and three major preceptors (County, Police and Fire). As at 13 January 2022, the cost to Teignbridge is £937,659 (8.58% of total cost). This compares with £851,551 (8.85% of total cost) as at 1 April 20. An increase of £86,108.
- 2.8 Demand for our Discretionary Discount and Exceptional Hardship Scheme remains relatively low. In 2020 we received 146 applications. This is perhaps lower than would have been expected after moving to a new scheme in April 2020-21 but, given that the Government had provided £150 hardship support to all working age claimants, and a £20.00 weekly uplift in benefits, this probably cushioned any impacts of the change. Despite the ending of these emergency measures and the phasing out of furlough payments, demand for hardship applications has remained low. To date we have received 137 applications in 2021-22, awarding £9.9k in additional support.

3. 2022-23 Scheme proposals

- 3.1 During a period in which many of our low income working age residents will have experienced furlough, reduced hours of work, loss of employment, or been unable to achieve viable self-employment, our scheme appears to be meeting its overall objectives in supporting these households, with only minimal demand (2.4% of working age caseload) for our Discretionary Discount and Exceptional Hardship Scheme. Our collection rates remain high and we have received only a handful of complaints about the changes to the scheme. These are all positive indicators and do not suggest any immediate changes are required to the scheme.
- 3.2 That being the case, and with the impacts of the COVID pandemic continuing to be felt, we are not proposing any changes to the current scheme. This will allow time for the scheme to continue to bed in as we emerge from the COVID crisis.
- 3.3 It should be noted that the scheme has in-built provision to keep in line with CPI increases where required, primarily to ensure annual increases in social

security benefit rates can be accommodated within the existing banding levels. Following announcement by the Department of Work and Pensions that social security benefit rates will rise by 3.1% in 2022-23 it is proposed to increase the net income upper threshold on Band 1 from £75.00 to £78.00 and the lower threshold on Band 2 from £75.01 to £78.01. This move will ensure single claimants on the lowest welfare benefit thresholds currently receiving 100% support do not slip into the 75% bracket as a result of receiving an approximate £2-£3 per week increase in their primary benefits.

- 3.4 The scheme also has in-built provision to incorporate the prescribed changes to pensioner claims which are also set by Government.
- 3.5 Because of the increase in claimant numbers, and annual increases in the council tax precept, overall costs of the scheme have increased. As we emerge from the economic downturn we anticipate caseload, and therefore costs, will reduce. However, the emergence of new variants, including the Omicron variant may impact on how well and how quickly the economy recovers and we may continue to see periods of peak demand for support for some time.
- 3.6 In the coming months, as we emerge from the COVID crisis, the Revenue and Benefit Service is planning to conduct a review of all working age council tax claimants. The data this provides, together with any customer feedback, and information arising from exceptional hardship applications since we went live with the new scheme in 2020, will help inform any recommendations for changes that may be appropriate for 2023-24 and beyond. In the meantime we will continue to use the Exceptional Hardship Scheme to provide ad hoc support where required.

4. Implications, Risk Management and Climate Change Impact

- 4.1 **Financial** - The cost of the Council Tax Reduction scheme falls on the collection fund with each preceptor meeting the cost in proportion to their precept share. For Teignbridge this share is 8.58% of the total cost. The increase in caseload, as a direct result of the Covid-19 pandemic, has increased the cost of the scheme and this will be factored into council budget.
- 4.2 The increase in threshold from £75.00 to £78.00 will have negligible financial impact but will protect existing claimants from a reduction in support. There will be a very small number of claimants who will move up into the higher band as a result of the slightly higher income threshold but analysis indicates the cost of any additional support will not exceed £4,000.
- 4.3 **Legal** – In considering its Council Tax Reduction scheme, the Council must take into account the provisions of the Council Tax Reduction Schemes (Prescribed Requirements) (England) 2012 and subsequent amendments.
- 4.4 Billing authorities are required to review their schemes each year and decide if they want to make any changes. Before any changes can be implemented, they must be subject to public consultation. No changes are proposed for

2022-23. Decisions on the Council Tax Reduction scheme must be made by a meeting of Full Council before 11 March of the preceding financial year. Importantly, for operational reasons the scheme needs to be approved by Council at its meeting on 22 February 2022.

- 4.5 A full Equality Impact Assessment was carried out prior to implementation of the new scheme in 2020-21 and this was reviewed prior to changes made for 2021-22. As no changes are proposed to the current scheme for 2022-23 any impact is considered low.
- 4.6 **Risks** - Since the introduction of Council Tax Reduction schemes there have been a number of legal challenges against other local schemes. Most of these challenges have been in relation to the consultation undertaken when changes were made to schemes. As no changes are proposed for 2022-23 it has not been necessary to carry out a consultation process. The adoption of the current scheme for 2022-23 is considered to be low risk
- 4.7 **Environmental/climate change impact** - The proposal has no impact on environmental or climate change issues.

5. Alternative Options

- 5.1 Council could decide against adopting the scheme for 2022-23. In this scenario the regulations make provision for a default scheme to be implemented. The default scheme would mirror any subsisting scheme and therefore would have nil practical effect.
- 5.2 Although not in itself a change to the CTR scheme, Council could decide not to use the existing provisions to increase the Band 1 and Band 2 thresholds. This would result in claimants in receipt of Contribution based Employment and Support Allowance; Job Seekers Allowance; Income Support; and standard single person allowance of Universal Credit, losing 25% of their Council Tax Reduction as a direct result of a £2-£3.00 weekly increase in their primary benefit. As our scheme thresholds are largely aligned with these benefit rates to ensure persons on these benefit types receive full support, failure to increase the thresholds would undermine the purpose of the scheme.

6. Conclusion

- 6.1 The current scheme appears to have performed well overall since its introduction in 2020-21 with only minimal demand for hardship support arising from the changes to the scheme, healthy council tax collection rates and very few complaints. With an economy in recovery (subject to impact of new variants) and our residents only just emerging from the turmoil and financial impacts of COVID, now is not an appropriate time to consider further changes to the scheme.

6.2 That being said, we do need to be mindful of the overall cost of the scheme and once our caseload has stabilised and existing claims have been reviewed it may be prudent to consider what, if any, further changes could be made to reduce costs and ensure support is fairly targeted at those households who need the most help with their council tax bills.