
Draft Council Tax Support Scheme

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| Relevant Portfolio Holder | Councillor Karen Ashley |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Michelle Howell, Head of Finance and Customer Services |
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| Wards Affected | All |
| Ward Councillor(s) consulted | N/A |
| Relevant Strategic Purpose(s) | Aspiration, work and financial independence |
| Non-Key Decision | |
| If you have any questions about this report, please contact the report author in advance of the meeting. | |

1. RECOMMENDATIONS

Executive Committee is asked RECOMMEND to Council that Option B is put out for Consultation.

2. BACKGROUND

- 2.1 The purpose of this report is to request authorisation to undertake a consultation with the public and the major precepting authorities in respect of proposed changes to the Council's Council Tax Reduction Scheme which would take effect from 1st April 2023.
- 2.2 Each year, the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
- 2.3 Council Tax Reduction (CTR) was introduced from 1st April 2013, when it replaced the Central Government funded Council Tax Benefit. From the inception of CTR, the funding available to the Council from Government has reduced year on year.
- 2.4 The Council made significant changes to the CTR scheme, which took effect from 1st April 2021. The changes increased the maximum level of support and replaced the existing Council Tax Benefit based scheme with a banded income scheme intended to reduce the administrative

burden placed on the Council by universal credit. As with the majority of authorities within England, the Borough Council needs to review the scheme for working age claimants to ensure it remains relevant and provides appropriate levels of support.

- 2.5 This report requests permission to consult on changes required to the scheme and makes recommendation to Members for the 2023/24 scheme.

3. FINANCIAL IMPLICATIONS

- 3.1 The current CTR scheme was implemented in the 2021/22 financial year and for that year cost £6.119m. This cost is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:
- Borough Council 13%
 - Worcestershire County Council 70%
 - West Mercia Police and Crime Commissioner 12%
 - Hereford & Worcester Fire and Rescue Service 5%
- 3.2 Every local authority has their own CTR scheme to help residents on low incomes pay their Council Tax bill. The amount that can be claimed will depend on household income, savings, entitlement for certain benefits and who lives within the property. If someone is eligible for CTR, the amount of support they are entitled to is used to reduce their overall Council Tax bill.
- 3.3 The Council introduced a new income banded / grid scheme for working age applicants with effect from 1st April 2021 to implement a modern, future proofed scheme and reduce the administrative burden placed on the Council by the introduction of Universal Credit. Details of the existing scheme are set out in 4.11 below.
- 3.4 As with the majority of authorities within England, the Council has changed its scheme each year for a number of reasons including:
- To adjust the level of support in line with the funding available from central Government;
 - To amend income bands and income tapers to adjust for the impact of inflation; and
 - To aid administration.
- 3.5 The existing scheme determines eligibility by placing claimants into income bands and a percentage reduction is then applied to their

council tax based on the relevant income band. There is no proposal to adjust the method for calculating CTR, however, there is a need to review and increase the income bands to adjust for the effects of inflation.

3.6 The scheme currently does not apply income disregards for childcare costs; this can be seen as a disincentive for people to return to the workplace. The options for amendments all propose the disregarding of childcare costs.

3.7 The objective of the CTR scheme will continue to be to maintain additional support to those households on the very lowest incomes, especially given the present cost of living crisis. There is no intention to reduce the level of support available to other households and based on current modelling, were either of the three new scheme options be put in place at the current time, the costs would be:

Option A

- Uprating income and increasing the width of each income band:
- Adding childcare disregards to enhance incentives for claimants returning to work

The existing scheme reduces the claimant's council tax by 100%, 75%, 50% or 25% dependant on the income of the household. As income increases the claimant will step through the income bands, and support will be reduced. If income thresholds are not uprated in line with inflation, then the value of the reduction will be reduced, the scheme will cease to be relevant, and appropriate support would no longer be provided to the lowest income households.

Option A proposes that the existing income bands are increased in line with inflation – which is currently anticipated to be 12% and introduces a disregard for childcare costs which will incentivise and better support parents returning to the workplace.

Implementation of option A would result in a £141,000 increase in the costs of CTR based on the current claim caseload and council tax amounts. This amount would be allocated to precepting authorities as per the percentages in paragraph 3.1 with Redditch's allocation at 13%.

Option B

- Uprating income and increasing the width of each income band:
- Adding childcare disregards to enhance incentives for claimants returning to work

- Increasing support to households in income bands 2 to 4 to 80%, 55% and 30%.

The existing scheme provides the maximum percentage support, of 100%, to the lowest income households at income band 1. The level of support then decreases to 75%, 50% and 25% at bands 2 to 4.

Increasing the support at bands 2 to 4 to 80%, 55% and 30% would provide additional support to low-income households.

Option B proposes the uprating and widening of income band and the introduction of the childcare costs disregard – as at option A - and increases to the support provided at income bands 2 to 4. The overall costs of the scheme would increase by £163,000. This amount would be allocated to precepting authorities as per the percentages in paragraph 3.1 with Redditch's allocation at 13%.

Option C

- Uprating income and increasing the width of each income band:
- Adding childcare disregards to enhance incentives for claimants returning to work
- Increasing support to households in income bands 2 to 4 to 85%, 60% and 35%.

Option C mirrors the changes detailed in B, but proposes that that support at bands 2 to 4 would be 85%, 60% and 35%. The overall costs of the scheme would increase by £184,154. This amount would be allocated to precepting authorities as per the percentages in paragraph 3.1 with Redditch's allocation at 13%.

More detail of all three schemes is set out section 4.14.

- 3.8 The Scheme operates for both pension credit age and working age applicants and in accordance with S13A of the Local Government Finance Act 1992 specifies the classes of person who are entitled to a reduction under the scheme and is effective from the 1st April 2023 for the period of one financial year.
- 3.9 Whilst the expected costs of the scheme for 2023/24 are slightly higher, the overall level of Council Tax Reduction as a proportion to Council Tax Base has reduced significantly year on year since 2013 as shown below until the 2020/21 tax year when support increased due to the discretionary one off support provided due to the C-19 pandemic. The overall proposed costs level for 2023/24 is considerably lower in terms of the percentage of the tax-base than when Council Tax Reduction was introduced in 2013. The costs of the scheme, based on

2022/23 council tax charges, will increase to an estimated £6.419m from £6.228m with the proposed options.

| Tax Year | Maximum % reduction | Gross Council Tax £000s | Total CTR awarded £000s | CTR as % of gross CT |
|----------|---------------------|-------------------------|-------------------------|----------------------|
| 2013/14 | 100 | 42,374 | 6,166 | 14.55 |
| 2014/15 | 80 | 43,571 | 5,272 | 12.10 |
| 2015/16 | 80 | 44,735 | 5,138 | 11.49 |
| 2016/17 | 80 | 46,487 | 5,088 | 10.94 |
| 2017/18 | 80 | 47,777 | 4,969 | 10.40 |
| 2018/19 | 80 | 50,312 | 4,913 | 9.77 |
| 2019/20 | 80 | 53,088 | 4,974 | 9.37 |
| 2020/21 | 80 | 55,399 | 6,024 | 10.87 |
| 2021/22 | 100 | 57,292 | 6,118 | 10.67 |
| 2022/23 | 100 | 59,653 | 6,228 | 10.44 |

3.10 The present number of recipients of Council Tax Support at the Council at the end of 2021/22 was
Pension Age - 2389
Working Age - 3589

3.11 The Council has now reviewed the existing scheme and assessed three possible different options, as set out in 3.7 above, and will now consult on the approved option to be included in the 2023/24 scheme.

Consultation and Communication

3.10 As required by the legislation, the Council will consult with both major preceptors and also the public on the 2023/24 scheme.

4. LEGAL IMPLICATIONS

4.1 Schedule 1A (3) of the Local Government Finance Act 1992, states: before making a scheme, the authority must: (a) consult any major precepting authority which has power to issue a precept to it, (b) publish a draft scheme in such manner as it thinks fit, and (c) consult

such other persons as it considers are likely to have an interest in the operation of the scheme.

- 4.2 In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11th March of the year prior to the scheme coming into place.
- 4.3 The purpose of this report is to set out the process for the 2023/24 scheme to be implemented with effect from 1st April 2023.

Background/Service Implications

- 4.4 The 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.
- 4.5 Since that time, funding for the CTR scheme has been amalgamated into other central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from central Government sources.
- 4.6 The current CTR 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.
- 4.7 Pensioners, subject to their income, can receive up to 100 per cent 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 CTR can only be made to the working age scheme.
- 4.8 When CTR was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction

in funding from central Government, the Council also required all working age applicants, even those on the lowest income, to pay a minimum payment of 20%.

- 4.9 Since that time, other slight changes have been made to bring the scheme into line with Housing Benefit and Universal Credit.

The Scheme Introduced on 1st April 2021

- 4.10 In view of the problems being experienced with the pre 2021 scheme, an alternative approach was taken from 2021/22. The approach has been to redesign the scheme to address all current issues in particular;

- The level of support available to the poorest households;
- The problems with the introduction of full-service Universal Credit; and
- The significant increase in administration costs due to the high level of changes received in respect of Universal Credit.

- 4.11 This new income banded / grid scheme for working age applicants with effect from 1st April 2021 was to implement a modern, future proofed scheme and reduce the administrative burden placed on the Council by the introduction of Universal Credit. This scheme had several new features:

- More support is given to those households on the lowest of incomes than in the previous scheme;
- Changes can only be made to the working age schemes as the current schemes for pensioners is prescribed by central Government; and
- The existing means - tested schemes have been replaced by a simple income grid model as shown below:

| Discount Band | Discount | Single Person | Single person with one child | Single person with two or more children | Couple | Couple with one child | Couple with two or more children |
|----------------------|-------------|--------------------|------------------------------|---|--------------------|-----------------------|----------------------------------|
| Income Ranges | | | | | | | |
| Band 1 | 100% | £0 to £95.00 | £0 to £150.00 | £0 to £210.00 | £0 to £140.00 | £0 to £195.00 | £0 to £255.00 |
| Band 2 | 75% | £95.01 to £115.00 | £150.01 to £180.00 | £210.01 to £240.00 | £140.01 to £160.00 | £195.01 to £225.00 | £255.01 to £285.00 |
| Band 3 | 50% | £115.01 to £135.00 | £180.01 to £210.00 | £240.01 – £270.00 | £160.01 to £180.00 | £225.01 – £255.00 | £285.01 to £315.00 |
| Band 4 | 25% | £135.01 to £155.00 | £210.01 to £240.00 | £270.01 – £300.00 | £180.01 to £200.00 | £255.01 to £285.00 | £315.01 to £345.00 |
| | 0% | Over £155.00 | Over £240.00 | Over £300.00 | Over £200.00 | Over £285.00 | Over £345.00 |

4.12 Consultation took place during 2020 and the new scheme took effect from 1st April 2021.

Proposed Approach to the 2022/23 Scheme

4.13 The Council has taken advice from ACS Consultancy who gives specialist advice in this area across a number of Councils. In current experience is that

- They know of no Councils who are reducing the level of their schemes.
- Significant numbers of clients are increasing the scope of their schemes to give more benefits to those most in need due to the cost of living crisis.
- Most are now using banded schemes similar to that moved to by the Council in April 2021.

4.14 As such the Council is proposing three possible scheme alternatives to Members, who will need to approve one of those alternatives. All three alternatives are based on the existing scheme with small alterations, residents. These three changes are

Option A

- Uprating income and increasing the width of each income band:
- Adding childcare disregards to enhance incentives for claimants returning to work

| Band | Discount | Single Person | Single Person + 1 child | Single person with 2 or more children | Couple | Couple with 1 child | Couple with 2 or more children |
|---------------|----------|-----------------|-------------------------|---------------------------------------|-----------------|---------------------|--------------------------------|
| Income Band 1 | 100% | £0 to £115 | £0 to £180 | £0 to £245 | £0 to £165 | £0 to £230 | £0 to £295 |
| Income Band 2 | 75% | £115.01 to £140 | £180.01 to £215 | £245.01 to £280 | £165.01 to £190 | £230.01 to £265.00 | £295.01 to £330 |
| Income Band 3 | 50% | £140.01 to £165 | £215.01 to £250 | £280.01 to £315 | £190.01 to £215 | £265.01 to £300 | £330.01 to £365 |
| Income Band 4 | 25% | £165.01 to £190 | £250.01 to £285 | £315.01 to £350 | £215.01 to £240 | £300.01 to £335 | £365.01 to £400 |
| Nil Award | 0% | Over £190 | Over £285 | Over £350 | Over £240 | Over £335 | Over £400 |

Option B

REDDITCH BOROUGH COUNCIL

Executive Committee 2022

6th September

- Uprating income and increasing the width of each income band:
- Adding childcare disregards to enhance incentives for claimants returning to work
- Increasing support to households in income bands 2 to 4 to 80%, 55% and 30%.

| Band | Discount | Single Person | Single Person + 1 child | Single person with 2 or more children | Couple | Couple with 1 child | Couple with 2 or more children |
|---------------|----------|-----------------|-------------------------|---------------------------------------|-----------------|---------------------|--------------------------------|
| Income Band 1 | 100% | £0 to £115 | £0 to £180 | £0 to £245 | £0 to £165 | £0 to £230 | £0 to £295 |
| Income Band 2 | 80% | £115.01 to £140 | £180.01 to £215 | £245.01 to £280 | £165.01 to £190 | £230.01 to £265.00 | £295.01 to £330 |
| Income Band 3 | 55% | £140.01 to £165 | £215.01 to £250 | £280.01 to £315 | £190.01 to £215 | £265.01 to £300 | £330.01 to £365 |
| Income Band 4 | 30% | £165.01 to £190 | £250.01 to £285 | £315.01 to £350 | £215.01 to £240 | £300.01 to £335 | £365.01 to £400 |
| Nil Award | 0% | Over £190 | Over £285 | Over £350 | Over £240 | Over £335 | Over £400 |

Option C

- Uprating income and increasing the width of each income band:
- Adding childcare disregards to enhance incentives for claimants returning to work
- Increasing support to households in income bands 2 to 4 to 85%, 60% and 35%.

| Band | Discount | Single Person | Single Person + 1 child | Single person with 2 or more children | Couple | Couple with 1 child | Couple with 2 or more children |
|---------------|----------|-----------------|-------------------------|---------------------------------------|-----------------|---------------------|--------------------------------|
| Income Band 1 | 100% | £0 to £115 | £0 to £180 | £0 to £245 | £0 to £165 | £0 to £230 | £0 to £295 |
| Income Band 2 | 85% | £115.01 to £140 | £180.01 to £215 | £245.01 to £280 | £165.01 to £190 | £230.01 to £265.00 | £295.01 to £330 |
| Income Band 3 | 60% | £140.01 to £165 | £215.01 to £250 | £280.01 to £315 | £190.01 to £215 | £265.01 to £300 | £330.01 to £365 |
| Income Band 4 | 35% | £165.01 to £190 | £250.01 to £285 | £315.01 to £350 | £215.01 to £240 | £300.01 to £335 | £365.01 to £400 |
| Nil Award | 0% | Over £190 | Over £285 | Over £350 | Over £240 | Over £335 | Over £400 |

- 4.15 Members will need to choose one of these alternatives to take out to consultation. Following consultation, the updated scheme will be implemented from the 1st April 2023.

Other Options

- 4.16 The alternative to introducing a revised scheme for CTR is to maintain the existing scheme; this would result in the income bands ceasing to be relevant and the withdrawal of support from the lowest income households and lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Borough Council's area.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The Council Tax Support Scheme provides targeted support to the Councils most vulnerable residents.

Climate Change Implications

- 5.2 The delivery of additional support to our most vulnerable residents via a reduction in their Council Tax will have a neutral effect on the climate.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 A stage one Equality Impact Assessment will be undertaken as part of this process.

Operational Implications

- 6.2 The changes to the Council Tax Support Scheme can be accommodated within existing teams and computer software.

7. RISK MANAGEMENT

- 7.1 A full risk assessment will be undertaken of the options going out for consultation.

8. APPENDICES and BACKGROUND PAPERS

Executive Committee
2022

6th September

None

9. REPORT SIGN OFF

| Department | Name and Job Title | Date |
|---|---------------------------|-------------|
| Portfolio Holder | | |
| Lead Director / Head of Service | | |
| Financial Services | | |
| Legal Services | | |
| Policy Team (if equalities implications apply) | | |
| Climate Change Officer (if climate change implications apply) | | |