

AGENDA ITEM

REPORT TO CABINET

18 November 2021

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL KEY DECISION

Leader of the Council - Lead Cabinet Member – Councillor Bob Cook

COUNCIL TAX REDUCTION SCHEME 2022/2023

SUMMARY

Consultation, approved by Cabinet in June 2021, in respect of proposed changes to the Council's Council Tax Reduction Scheme (CTR) has now completed and responses have been analysed. The purpose of this report is to seek approval to introduce a new income banded Council Tax Reduction Scheme for working age customers with effect from 1 April 2022.

REASON FOR RECOMMENDATION/DECISION

This report recommends a scheme which increases the maximum award from 80% to 100%, provides residents with the lowest income levels the greatest level of support, reduces the complexity for the customer and reduces the administrative burden for the Council.

RECOMMENDATIONS

1. Council approves that the Council Tax Reduction scheme, included at **Appendix A** is adopted for working age customers with effect from 1 April 2022.
2. Council approves that the Director of Finance, Development and Business Services be authorised to amend the Council's Council Tax Reduction scheme for working age customers to adjust the appropriate calculative elements of the scheme to give effect to national changes.
3. Council note that the impact of the changes will be monitored and where necessary the scheme will be adapted in future years.

BACKGROUND

1. At a meeting of 24 June 2021 Cabinet members approved a proposed new Council Tax Reduction scheme for public consultation.
2. The report referred to the findings of the People Select Committee in December 2020 following a review of the CTR scheme in which it was recommended that any future scheme should ensure:

- Consideration is given to the benefits and impacts of alternative approaches to the existing scheme, including, but not limited to the workings of a banded scheme and a change in the minimum contribution rate.
 - For consistency, future scheme proposals include appropriate technical changes to reflect the welfare reforms already introduced into the CTR pensioner scheme and Housing Benefit / Universal Credit schemes.
 - The intention to incentivise work, protect the vulnerable and support families with children is retained within a revised scheme.
 - In line with the Local Government Finance Act 1992, consideration is given to transitional protection should some customers be negatively affected by changes to the scheme.
3. The report also detailed ways in which the new CTR scheme would address the issues with the current scheme, namely to:
- Assist low-income households, with those on the lowest incomes not paying council tax at all;
 - Manage the roll out of Universal Credit, with an income band model to reduce the number of re-calculations to customers' bills which inevitably lead to delays and confusion;
 - Simplify the approach, removing the complexities that exist from the current housing benefit-based scheme making it simpler for customers to understand and claim and for officers to administer.

DETAIL

THE COUNCIL TAX REDUCTION SCHEME

4. The proposed new scheme approved for consultation in June 2021 included a number of features, examples include:
- More support shall be given to those households on the lowest of incomes than in the current scheme;
 - Those on the lowest incomes paying no council tax at all;
 - Households with higher levels of income will receive less/no CTR;
 - The current means-tested schemes will be replaced by a simple income grid model;
 - Protection for low-income families with non-dependants living at home;
 - Income such as child benefit, disability benefits and personal independent payments will be disregarded;
 - An earnings disregard to encourage work will be retained however this will be standardised at £25 per week;
 - The current savings allowance of £6,000 will continue but where savings are held above this threshold there will be no entitlement to CTR; (note proposed further change to capital allowance at paragraph 6).

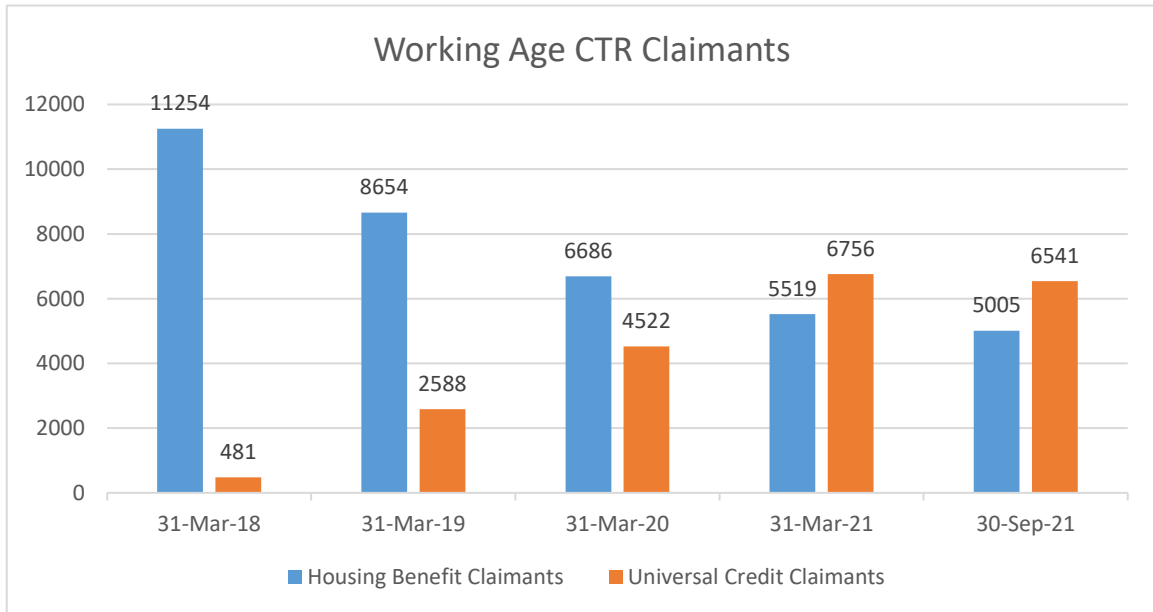
CONSULTATION

5. Major preceptor and public consultation was open from 9 July 2021 to 22 August 2021 and publicised by way of:
- Social media posts advertising the consultation;
 - An advertisement in the July 2021 edition of the Stockton News reaching every household in the Borough;

- Advertisement on the Council’s website with an online form available to complete and where requested a paper form made available;
 - Direct contact with partners, including Major Preceptors, Stockton District Advice and Information Service, the Infinity Partnership and the Community Partnerships.
6. The consultation produced responses from organisations, major preceptors and the public; the results from the 133 completed questionnaires included at **Appendix B** suggest that the consultees support the recommended new CTR scheme with a majority in agreement with all 9 principles. Whilst all 9 principles returned a majority in agreement, two principles returned a less than 6% majority:
- Principle 6 relating to the capital level of £6,000 suggested it too low and suggested an incremental reduction similar to what is in place in the current scheme. The amount of £6,000 is the level of savings under the current scheme that is allowed without any affect to the amount of CTR awarded, currently a taper is then applied for savings up to a maximum savings level of £16,000. Applying such a taper adds a level of complexity and therefore difficulty for the customer; the proposal therefore is to retain the principle that a capital limit is included. In consideration of the consultation responses and to bring the savings limit closer to the prescribed pensioner scheme it is proposed that the capital limit be set at £10,000. All claimants recorded with capital in excess of £10,000 will be contacted prior to the new scheme being introduced to ascertain their current circumstances.
 - Principle 7 relating to the extended payments included a comment suggesting the approach may disincentivise people getting back into work; the scheme however retains the current work incentive of an earnings disregard providing added support to customers whose income is made up of earnings. Furthermore, the current extended payment scheme does not apply to those receiving Universal Credit, which are the majority of unemployed applicants and therefore the change will ensure CTR recipients are treated the same in these circumstances.
 - Major preceptor consultation produced responses from both the Police and Fire authorities. Whilst the Police authority confirmed their support for the aims of the new scheme and the Fire authority recognised the support for low-income households the scheme would bring, each highlighted concerns due to the financial impact to their respective authorities. It is acknowledged that a higher award of CTR may reduce the income the major preceptors receive from council tax however the proposed scheme offers significant benefits to over 8,700 of the Borough’s most financially vulnerable households and could result in improved collection which would mitigate the impact.
 - Stockton District Advice and Information Service (SDAIS) provided comments to the consultation and were supportive of the changes increasing the allocation to 100%. They did have some reservations regarding clients who will not benefit from the full reduction. As this is a new scheme, this is not possible; it is acknowledged that some households who have a higher level of household income will be adversely affected and where this causes hardship customers can apply for the exceptional hardship scheme (see paragraph 11).

CLAIMANT INFORMATION

- 7. The number of households claiming CTR increased suddenly as a result of Covid-19 rising from 11,421 working age claimants in March 2020 to 12,597 in July 20. Numbers are now showing a steady decline with the total number reducing to 11,681 at 30 September 2021 which is a positive sign
- 8. Since the full roll out of Universal Credit commenced in Stockton in 2018 the make-up of the claimant base has seen a shift from a majority of claimants receiving housing benefit to a majority receiving universal credit:



- 9. One of the features of universal credit is that it is responsive to changes in household income month by month. This means that people might find that their universal credit is adjusted on a near monthly basis. Each time universal credit is adjusted, there is an impact on CTR, resulting in a new council tax bill being sent. The proposed new income banded CTR scheme addresses this issue with small changes no longer triggering an adjustment. This makes it much less volatile to claimants and much easier to understand.
- 10. The proposed scheme provides additional support for the most financially vulnerable residents, providing 100% reduction to the lowest income households. Modelling has continued since the report to Cabinet in June 2021; the reducing caseload now suggests that under the proposed scheme 8,707 (72.5%) will receive more support including 7,437 households that will no longer have to pay council tax at all. With the scheme targeting the lowest income households, some households with higher levels of income will be adversely affected; modelling suggests this would be 2,665. Of the 2,665 households that are adversely affected 2040 (76.5%) will still be eligible for a reduction of either 50% or 25% depending on their household income; 625 (23.5%) will no longer be eligible for CTR these being households with higher income levels. In addition to the scheme included at paragraph 11 below which provides residents experiencing exceptional hardship with additional financial support, residents will be supported through the Council's welfare support team to maximise their income and through the Employment and Training Hub to help support people into employment.

TRANSITION TO THE NEW SCHEME AND EXCEPTIONAL HARDSHIP

11. Under Section 13A (1)(c) of the Local Government Finance Act 1992 the Council's exceptional hardship scheme already exists to support households whose financial circumstances impact their ability to pay council tax. In order to protect households that are adversely affected by the changes and where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings.
12. Ahead of the proposed scheme coming into force on 1 April 2022 households that are adversely affected will be identified and contacted with details of the changes and offering support as appropriate.

COMMUNITY IMPACT IMPLICATIONS

13. A community impact assessment has been undertaken and is included at **Appendix C**. The scheme impacts all working age residents, with the impact largely positive increasing support for 8,707 current claimants: 630 current claimants receiving the same level of support and 2,665 receiving less. The community impact assessment includes an action plan to contact and provide information and support to all households that will receive less CTR ahead of the changes coming into effect on 1 April 2022 along with details of the exceptional hardship scheme, mitigating the impact for those adversely affected.

CORPORATE PARENTING IMPLICATIONS

14. None

LEGAL IMPLICATIONS

15. Schedule 1A (3) of the Local Government Finance Act 1992, states:
 - Before making a scheme, the authority must:
 - 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.
16. In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11 March of the year prior to the scheme coming into place.

FINANCIAL IMPLICATIONS

17. The costs of the current scheme are shared between the Council and the Major Precepting Authorities in the following proportions:
 - Stockton Borough Council (82.6%)
 - Police and Crime Commissioner for Cleveland (12.8%)
 - Cleveland Fire Brigade (Fire and Rescue Service) (3.9%)
18. Based on current modelling, were the new scheme to be in place at the current time, the costs to the Council would be around £975,000 higher than the current costs which is included in the Medium-Term Financial Plan.

19. Financial modelling will continue until the new scheme takes effect in April 2022.

RISK ASSESSMENT

20. It should be noted that the scheme modelling is based on CTR claimants at a point in time, this is continuously changing and therefore numbers and costs may increase or decrease accordingly. Furthermore, modelling is based on current council tax levels and does not therefore take into account any increase in council tax that may be proposed in future years. To mitigate this, modelling will continue throughout the remainder of the current financial year.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

21. The scheme applies to the whole of the Borough and is not ward specific.

BACKGROUND PAPERS

22. Report of People Select Committee 17 December 2020: Scrutiny Review of the Local Council Tax Support Scheme.

23. Report of Corporate Management Team 24 June 2021: Council Tax Reduction Scheme 2022/2023

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