

## LOCAL COUNCIL TAX SUPPORT SCHEME 2021

<b>Head of Service:</b>	Judith Doney, Head of Digital and Service Transformation
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Appendices (attached):</b>	Appendix 1 – Consultation summary response Appendix 2 – SCC response to consultation Appendix 3 – Equalities Impact Assessment Appendix 4 - Revised Section 13A Council Tax Discretionary Relief Policy

### Summary

This report provides an update on the current Local Council Tax Support Scheme and seeks approval for the introduction of an income banded Council Tax Income Discount scheme, for those of working age, from 1 April 2021.

### Recommendation (s)

#### The Committee is asked to:

- (1) Agree the actions proposed to replace the current means tested Local Council Tax Support Scheme with an income banded Council Tax Income Discount scheme from 1 April 2021;**
- (2) Agree the revised Section 13A discretionary relief policy, in respect of Council Tax in individual cases**

### 1 Reason for Recommendation

- 1.1 To continue to ensure that we provide the appropriate targeted support to the most vulnerable members of our community.
- 1.2 To provide a scheme for residents which is simpler to understand and administer, has an easier and quicker application process, and provides a safer and more secure transfer process for personal information. Through these service improvements it will also allow us to utilise our resources more efficiently and effectively.

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- 1.3 If the Council does not have a local support scheme in place, in relation to Council Tax for those of working age, a default scheme will be imposed.

## 2 Background

- 2.1 Each year the Council is required, under the Local Government Finance Act, to consider whether to maintain or revise its Council Tax Support scheme, for those of working age, or to replace it with another scheme. Any revision or replacement must be adopted no later than 11 March in the financial year preceding that for which the revision or replacement is to take effect.
- 2.2 Those of pension age will continue to be protected from any local scheme changes. They will still receive financial support at the same rates as under the previous Council Tax Benefit scheme.
- 2.3 In September 2019 Epsom & Ewell Borough Council agreed to continue with a means tested Council Tax Support Scheme, for those of working age, for the 2020/21 financial year, with applicable amounts uplifted by the same percentage as the Housing Benefit rates applicable from April 2020. At the same time, a proposal to change the scheme to a Council Tax discount from April 2021, was agreed. The main drivers for this change were to simplify the scheme and make the application process easier for residents, whilst also making administration savings in both time and cost.
- 2.4 Before making a scheme, a local authority must consult any major precepting authority which has the power to issue a precept to it, publish a draft scheme in such manner as it thinks fit, and consult with such other persons as it considers likely to have an interest in the operation of the scheme. These obligations have all been met, with consultation with major preceptors, all current working age support recipients and a selection of council tax payers undertaken between August and September 2020. A summary of responses to the consultation is at Appendix 1 and Surrey County Council's response is at Appendix 2. No response was received from Surrey Police and Crime Commissioner.
- 2.5 As at 9 July 2020, there were 1,684 working age households in receipt of Council Tax Support. Of these, 682 were 'passported' meaning they were in receipt of either Income Support, Jobseekers Allowance (Income Based) or Employment and Support Allowance (Income Related). 515 applicants were in receipt of Universal Credit, with the remaining 487 recipients being a mix of those working or in receipt of a variety of other benefits such as disability benefits and/or tax credits. The table below shows the breakdown of working age support recipients by ward.

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**Table 1**

<b>Ward</b>	<b>Number of working age Council Tax Support recipients</b>
Auriol	25
College	54
Court	348
Cuddington	102
Ewell	138
Ewell Court	54
Nonsuch	34
Ruxley	235
Stamford	164
Stoneleigh	30
Town	299
West Ewell	114
Woodcote	87
<b>Total</b>	<b>1684</b>

- 2.6 Epsom & Ewell Borough Council's current Local Council Tax Support Scheme, which applies to working age claimants, is based on the previous Council Tax Benefit scheme and continues means testing for those on low incomes. It also continues additional protection for those with extra expenses or needs through a series of premiums and income disregards. However, our current scheme requires all working age recipients to pay at least 20% of their Council Tax charge (known as a Minimum Payment). Higher amounts may be payable due to the means testing of entitlements.

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- 2.7 Although the current means tested scheme could be viewed as 'fair' in that, to a certain degree, it does account for many different potential household circumstances a banded income scheme would be easier to understand and administer. It may, by its very nature, be less fair on the basis that not so many potential household circumstances would be catered for, however, this has been mitigated against by copying over from the current scheme the vast majority of rules such as income disregards etc. Whilst there will be 'cliff edges' between the income bands in the proposed new scheme, modelling has shown that the most financially vulnerable will still receive support of up to 80% of the Council Tax due with only a relatively small number of households no longer receiving any support as a result, for example, of having significant levels of savings.
- 2.8 Throughout the review of the current Council Tax Support scheme the potential for unintended consequences impacting on those people, with a protected characteristic has been borne in mind and where necessary, action taken to mitigate this.

### **3 Proposal**

- 3.1 Analysis of council tax support schemes in place across England for 2020/21 confirmed that out of 317 local authorities, 63 operated an income banded scheme as opposed to a means tested one. As part of the process of considering future support schemes officers took part in a webinar with representatives from a significant number of other local authorities. During that on-line meeting over 170 local authorities indicated that they were looking to move away from means tested support schemes to income banded schemes either in the next year or from 2022.
- 3.2 A banded income scheme is one that looks at the total income of an applicant, less any disregarded income such as a disability related income and/or War Pensions, and then awards a fixed percentage discount that varies depending on what income band an applicant falls into. For example, a single person with an income of £100.00 per week might receive a discount of 70% whereas a single person with an income of £150.00 per week might receive a discount of 50%.
- 3.3 The results of the consultation undertaken indicated that over three quarters of respondents were in favour of introducing an income banded support scheme.
- 3.4 One advantage of a banded income scheme is that it is easier to understand than the current means tested scheme and simpler to administer. Furthermore, by having a relatively small number of bands it can be flexible enough to reflect different family circumstances. A banded income scheme also easily allows for future flexibility as the reduction percentages and/or income bands can be adjusted (positively or negatively) to take account of local, or wider, economic changes.

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- 3.5 Following detailed analysis of the current Epsom & Ewell Borough Council caseload of financial support recipients and support schemes operated by other local authorities, a suitable scheme has been identified. Based on four weekly income bands and taking into account five different household 'types' recipients would receive a rebate on their Council Tax as shown below.

**Table 2**

Council Tax reduction percentage – after the 20% paid	Household Type				
	'Passported'*	Single, no children £ - weekly	Couples, no children £ - weekly	Lone parent/Couple with one child £ - weekly	Lone parent/couple with two or more children £ - Weekly
Band A – 100%	People in this group will receive 100% discount	0.00 to 110.00	0.00 – 160.00	0.00 – 210.00	0.00 – 260.00
Band B – 80%		110.01 to 150.00	160.01 – 200.00	210.01 – 250.00	260.01 – 300.00
Band C – 60%		150.01 – 230.00	200.01 – 270.00	250.01 – 330.00	300.01 – 370.00
Band D – 50%		230.01 – 300.00	270.01 – 350.00	330.01 – 400.00	370.01 – 450.00

\*Passported means people in receipt of Income Support, Jobseekers Allowance (Income Based) or Employment and Support Allowance (Income Related) since these benefits have already been assessed by the Department for Work and Pensions as having a minimum or no income.

- 3.6 The income bands in the above table are, at this time, for illustrative purposes only, based on current modelling. Due to the changing nature of the financial landscape because of COVID-19 modelling will continue to be undertaken to determine the exact income bands that would be most appropriate for the residents of the borough prior to the scheme going live in April 2021.
- 3.7 In designing an income banded scheme, the requirement within the current means tested support scheme for all working age applicants to pay at least 20% of their Council Tax has been maintained. A consequence of this is that the reduction percentages of 100%, 80%, 60% and 50% refer to the Council Tax due *after* a 20% restriction has been applied. The reduction percentages would also be applied after any non-dependent deduction has been taken into account.

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- 3.8 As part of the consultation, respondents were asked whether they thought that changes should be made to the scheme increasing the level of financial support available to residents. In response almost half (46%) disagreed, with only 24% agreeing. In addition, when residents were asked if we should continue with a scheme where everyone pays at least 20% of the Council Tax due, over half (55%) agreed, with less than a third (31%) disagreeing with the proposal. However, when asked if some applicants should be able to get more than 80% support nearly two thirds (63%) of respondents agreed, with less than a third (28%) disagreeing. In light of these somewhat contradictory responses it is proposed that the general principle that everyone should pay at least 20% of their Council Tax liability should be maintained for the new scheme. At the same time, to take account of the consultation responses received, the Council Tax Discretionary Relief Policy has been revised to include criteria for those in financial hardship.
- 3.9 The design of the proposed income banded support scheme is still, to an extent, based on the previous Council Tax Benefit scheme but removes the complex means testing element of the assessment process, replacing it with an easier to understand income band system. To continue to promote work incentives and in order to prevent inadvertently disadvantaging those who are, for example, disabled, aspects of the Council Tax Benefit scheme such as income disregards have been replicated within the proposed income banded scheme.
- 3.10 At the same time as introducing an income banded support scheme, it is proposed to make some additional scheme changes. These changes are intended to simplify the scheme as a whole, bring it in to line with other government 'benefit' schemes, and ease the overall administrative burden of the assessment of entitlement to support. The main change proposed is that all applications for support are to be made on-line wherever possible. The consultation undertaken indicated that two thirds of respondents felt that claims should be made on-line. Naturally, there will be a mechanism available to assist those residents who, for whatever reason, are unable to access support on-line.
- 3.11 Other proposed changes include:
- 3.11.1 The introduction of an assumed minimum income for the self-employed and Company Directors. It is intended that the amount of the minimum income would reflect an individual working full-time at the National Minimum Wage level, less tax and National Insurance contributions. This was supported by almost three fifths of consultation respondents.
- 3.11.2 The introduction of a minimum weekly award of £5.00, with entitlement of less than this amount not paid – supported by almost half of consultation respondents.

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- 3.11.3 A reduction in the capital limit from £10,000 to £6,000 – whilst only supported by one third of consultation respondents, this change, affecting 24 households, would reduce expenditure by approximately £24,000 in year one. It would bring this into line with the national Housing Benefit scheme where £6,000 is the amount of capital that can be held before it impacts on benefit entitlement. Officers are of the view that this is a reasonable scheme change to make, bearing in mind that an individual with capital in excess of £6,000 would be able to pay the full Band D Council Tax for in excess of three years.
- 3.11.4 The introduction of a flat rate non-dependent charge of £7.00 per week irrespective of the actual non-dependent's income. Whilst only two fifths of consultation respondents agree with this proposal, £7.00 per week or £30.33 per month represents just 15% of the Band D charge of £198.53 per month. This change would affect 83 non-dependents, with them each having to contribute £2.95 more per week towards the household Council Tax liability. At the same time 50 non-dependents would need to contribute less. These reductions would range from £1.25 - £5.40 per week. By not having to verify the income of non-dependents there will be scheme administration cost savings as well as a small expenditure reduction of approximately £5,300 in year one.
- 3.12 In addition to the scheme changes outlined it is proposed that there also be administrative changes introduced as part of the Council Tax Income Discount scheme. These include restricting the backdating of awards to one month (matching the rules in the national Housing Benefit scheme) and allowing for income bands, non-dependent deductions etc. to be increased each year in line with the Consumer Price Index or by the method used for increases in fees and charges in any financial year.
- 3.13 As part of the consultation process, officers proposed a number of other potential scheme changes in order to gauge the reaction of residents. These included removing financial support entirely from residents in Band G and H properties as well as including spousal maintenance in full as income. Whilst some of the suggested proposals were supported by the majority of respondents, such as removing or restricting support for those in Band G & H properties, other suggested changes, for example the inclusion of spousal maintenance as income, did not have universal support. Bearing in mind the current economic uncertainty as a result of the impact of Covid-19, officers are of the opinion that it would not be appropriate to introduce changes, affecting those in Band G & H properties, as part of any revised support scheme at this time. In reaching this conclusion officers have had regard to the volume of potentially affected applicants (13 households in Band G & H properties as at 9 July 2020); the level of expenditure (£27K or 1.5% as at July 2020) and the specific circumstances of these support recipients. However, following the consultation responses received, officers will continue to watch how

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support schemes across England develop over time and, depending on any future financial pressures and/or changes in the overall circumstances of support recipients, will suggest additional scheme changes in the future if they are believed to be appropriate.

### 4 Risk Assessment

#### Legal or other duties

##### 4.1 Impact Assessment

4.1.1 The Council has a duty under the Equality Act 2010, in the exercise of any of our functions, to have due regard to the need to: eliminate discrimination, harassment, victimisation and other prohibited conduct; advance equality of opportunity and foster good relations. This requires an assessment of the impact of the changes from the current Local Council Tax Support scheme, to an income based Council Tax Income Discount, on those with the relevant protected characteristics.

4.1.2 As the service change has the potential to impact on people with a protected characteristic, specifically those with a disability, a full Equalities Impact Assessment (EIA) has been undertaken. **Appendix 3** details the EIA and how any potential negative impact is mitigated against.

##### 4.2 Crime & Disorder

4.2.1 There are no specific crime and disorder considerations associated with this report.

##### 4.3 Safeguarding

4.3.1 There are no specific safeguarding considerations associated with this report.

##### 4.4 Dependencies

4.4.1 The introduction of a revised support scheme is dependent on a third party software provider. The Head of Digital and Service Transformation has identified a suitable supplier who has previously successfully worked with other local authorities to introduce income banded support schemes in respect of Council Tax.

##### 4.5 Other

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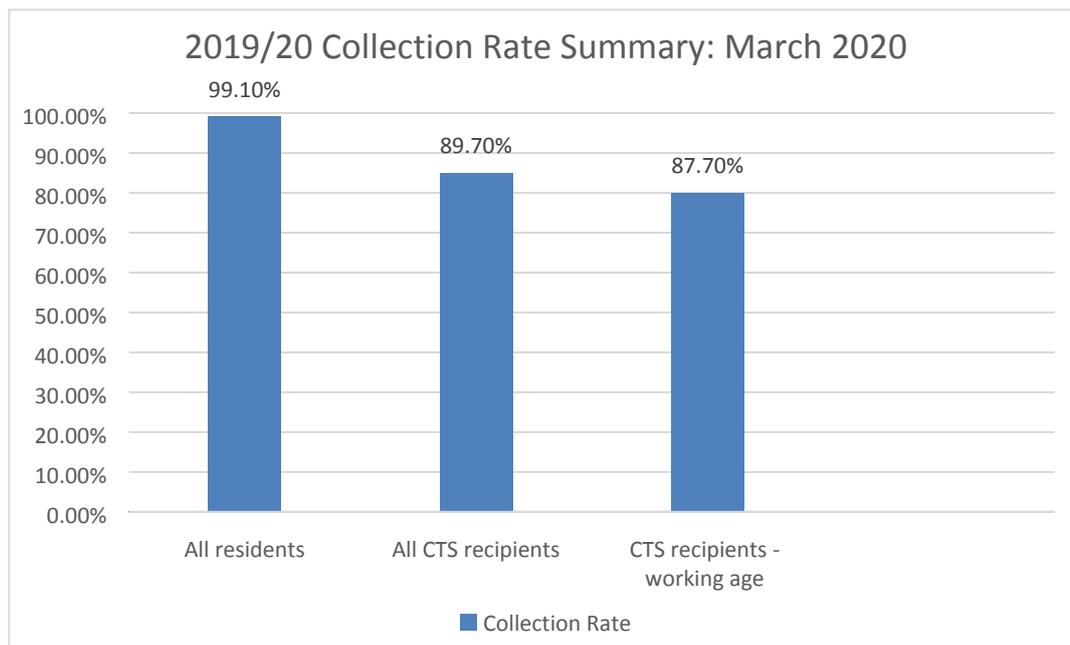
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4.5.1 None

### 5 Financial Implications

5.1 As at the end of March 2020 our Council Tax collection rate for the 2019/20 financial year was 99.1%. The table below shows the levels of collection for different categories, within the headline figure, as at the end of March 2020.

**Table 3**



5.2 As at the end of August 2020 our overall Council Tax collection rate, for all residents, for the current financial year was 51.16% against a profiled projection of 52%. In respect of *all* those in receipt of Council Tax Support, the rate was 44.44%. This reduced slightly to 41.61% in respect of those working age support recipients.

5.3 As stated, as at 9 July 2020 there were 1,684 working age households in receipt of financial support towards their Council Tax liability. This was an increase, of 105, from 1,579 households as at 25 March 2020. Between March and July 2020 estimated scheme expenditure increased from £1.64M by approximately £140,000 to £1.78M. Epsom & Ewell Borough Council's portion of this (11%) is £195,800. This increase, in both caseload and projected expenditure, is mainly due to the impact of the Covid-19 pandemic. Modelling has shown that the introduction of a banded income scheme, by itself, has no overall impact on the total number of support recipients. However, apart from those in receipt of passported benefits who are unaffected, the modelling indicated that a banded income scheme would reduce overall expenditure by about £60,000 or just under 3.4% in year one.

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- 5.4 Whilst the introduction of a banded income scheme alone does not affect the number of households entitled to support, other proposed changes (as detailed in Section 2 of this report) such as the reduction of the capital limit will slightly reduce the overall caseload volume and expenditure.
- 5.5 Alongside the current Local Council Tax Support Scheme is a £25,000 Discretionary Hardship Fund, paid for solely by Epsom & Ewell Borough Council. This assists those experiencing exceptional financial hardship and further reduces their Council Tax charge. As part of the proposal for the replacement of the current means tested support scheme with a Council Tax Income Discount, it is further proposed that the separate Discretionary Hardship Fund be withdrawn.
- 5.6 When local authorities were tasked with designing and implementing their own local schemes for supporting those of working age, from April 2013, there was a requirement that any local scheme would include a procedure for residents to apply for a discretionary reduction under the provisions of Section 13A. Any income banded discount scheme will naturally include this provision. Appendix 4 details a revised Council Tax Discretionary Relief policy.
- 5.7 Under Section 13A of the Local Government Finance Act 1992 the Council has the power to reduce liability for Council Tax, in relation to individual cases. The financial burden of awarding a Discretionary Relief payment, under Section 13A has to be met through an increase in the general level of Council Tax for other payers but this will be accounted for against total council tax income receipts.
- 5.8 **Section 151 Officer's comments:** The Council's budget projections for 2021/22 incorporate the cost of the revised council tax support scheme. Withdrawing the Discretionary Hardship Fund should produce an annual budget saving of £25,000, which would assist in addressing the Council's projected budget deficit in the Medium Term Financial strategy.

## 6 Legal Implications

- 6.1 The legal implications are incorporated within the body of the report.
- 6.2 **Monitoring Officer's comments:** None arising from the contents of this report.

## 7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** This report supports the themes of managing our resources and supporting our communities.
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

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7.3 **Climate & Environmental Impact of recommendations:** None

7.4 **Sustainability Policy & Community Safety Implications:** None

7.5 **Partnerships:** None

### 8 **Background papers**

8.1 The documents referred to in compiling this report are as follows:

**Previous reports:**

- Local Council Tax Support Scheme report of 24 September 2019.

**Other papers:**

- None