

Public
Key Decision - Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Council Tax Support Scheme 2024/25

Meeting/Date: Cabinet 14th November 2023

Executive Portfolio: Cllr S Ferguson

Report by: K Kelly – Revenues & Benefits Manager

Ward(s) affected: All

Executive Summary:

Since the abolition of Council Tax Benefit in 2013, Local Authorities in England have been required to administer their own Council Tax Support (CTS) schemes.

Whilst support for residents of pensionable age is determined by Central Government, schemes for working age residents are set locally. Local Authorities are required to review their CTS schemes annually and to decide to either maintain their existing scheme or replace it.

A review of the CTS scheme provides an opportunity to ensure the scheme best meets the needs of our residents and contributes to the Corporate Plan commitment to both prevent crisis, and to support those in crisis. The recommended amendments to the scheme will also contribute to Priority 3 of the Corporate Plan – to deliver good quality, high value for money services with good control and compliance with statutory obligations.

This report sets out the action taken to date to redesign the CTS scheme to ensure that it is fit for the future, provides the rationale for change and leads to a recommendation that the Council approves the introduction of a new, income-banded scheme for working age applicants with effect from 1st April 2024, increasing levels of support available to the most vulnerable residents across Huntingdonshire.

Given that CTS is a reduction on the taxbase, it should be noted there would be financial implications for all precepting authorities, in particular Cambridgeshire County Council (CCC). The recommendations contained within the report support the CCC ambition to help people out of poverty and income inequality.

The draft scheme design has been subject to a statutory consultation process and in addition to the public consultation, major preceptors were invited to comment on the proposals. Although further information relating to the estimated financial impact was sought from Cambridgeshire County Council, no consultation responses were received from the Major Preceptors. Parish Councils were invited to participate in the public consultation, and responses are included in the totals in APPENDIX A.

Recommendation(s):

The Council is asked to approve the introduction of a new income-banded CTS scheme for working age applications with effect from 1st April 2024

The reasons for the recommendation are as follows:

- Increasing the level of support for eligible residents directly supports the aims specified within the Corporate Plan, to keep people out of crisis and to help those in crisis.
- Simplifying the scheme to make it more accessible for residents, reducing the administrative burden and improving delivery times directly supports the aim specified within the Corporate Plan to deliver good quality, value-for-money services with good control and compliance with statutory obligations.
- The reduction in caseload and therefore reduction of the impact of CTS on the taxbase provides an opportunity to consider increasing support to those most in need.

PURPOSE OF THE REPORT

- 1.1 The Council is required to review the CTS scheme each year in accordance with schedule 1A of the Local Government Finance Act 1992 and decide to maintain or amend the scheme. Where changes to the scheme are proposed, Councils must publish a draft scheme and consult with local taxpayers and precepting authorities prior to implementation.
- 1.2 The current CTS scheme has remained largely unchanged since its introduction in 2013, when its design was largely informed by Council Tax Benefit along with limits to the maximum amount of Council Tax liability that could be covered by the scheme. However, the introduction of Universal Credit (UC) has significantly increased the administrative burden for Councils, as the responsive nature of UC awards leads to high levels of changes to administer.
- 1.3 Along with the Council's commitments within the Corporate Plan to both prevent crisis and support those in crisis, and to deliver good quality, high value-for-money services, a reduction to the additional work generated by UC changes has been a key driver for a detailed review to be conducted. There has been a decline in caseload since CTS was first introduced and this has presented an opportunity to consider if support can be increased to further support low-income families through difficult economic times.
- 1.4 Scheme design and modelling has been conducted with the support of industry experts ACS Ltd, who have worked with over 250 Local Authorities in relation to CTS and have assisted 95 LAs to successfully implement changes to their CTS schemes. Consideration has been given to national trends in CTS schemes alongside considerable analysis of our own data to develop a scheme to best support Huntingdonshire residents.

BACKGROUND

- 2.1 CTS is a means-tested support scheme that reduces the amount of Council Tax payable by residents on low incomes. Whilst CTS rules for pension age residents are prescribed by Central Government, Local Authorities are required to design and administer their own schemes to support residents of working age.
- 2.2 Prior to the implementation of CTS in 2013, Local Authorities administered Council Tax Benefit on behalf of the Department for Work and Pensions and received funding to support the cost. As part of the move to Localised CTS, Government reduced the funding by 10%, resulting in many Local Authorities introducing schemes where recipients were required to make a minimum contribution towards their Council Tax. Huntingdonshire District Council set contribution levels within the scheme to be as follows:

Scheme Name	Maximum CTS award	Minimum Contribution to Council Tax
Working Age	80%	20%
Working Age - household includes child under 5 years of age	85%	15%
Working Age – applicant or child deemed vulnerable (based on disability)	100%	0%

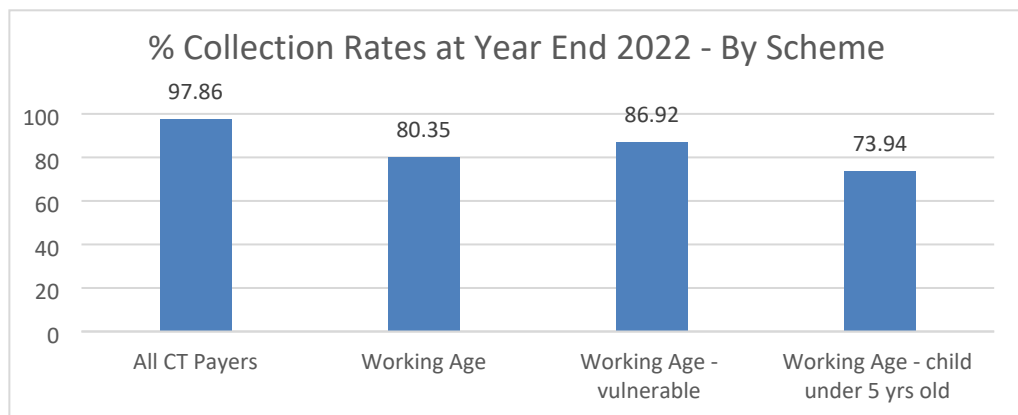
2.3 Pensioners can receive up to 100% support via the scheme prescribed by Central Government. The Council has no power to change this amount.

2.4 Since 2013 only minor changes have been made to the scheme and a more fundamental change is now required if the system is to continue to provide effective and efficient support to low-income households across Huntingdonshire.

3.0 RATIONALE FOR CHANGE

Levels of support

3.1 Whilst there is an expectation within the current scheme for residents to contribute towards Council Tax unless the household is considered vulnerable, the limit on the amount of support available has not always delivered the desired outcome. Indeed, collection rates at the end of March 2022 showed a lower collection rate for those in receipt of CTS than those that were not.



3.2 The value of Council Tax uncollected at the end of the financial year 2022/23 for CTS working age recipients was around £320k, although collection activity in respect of this continues into the next financial year.

3.3 This suggests that perhaps despite our requirement for contribution within the existing scheme, residents within these groups may not always have sufficient financial capacity to meet this requirement. For example, a single person aged 25 on Universal Credit will be awarded a standard UC element excluding any Housing Costs of £368.74 per calendar month / £85.09 per week. Residing in a band B property in St Neots, CTS would be calculated as follows:

Annual CTAX charge 2023	£ 1,737.64
Less Single Person Discount	£ 434.41
Net Liability	£ 1,303.23
CTS (80%)	£ 1,042.58
Net balance to pay	£ 260.65 (£5.01 pw)

- 3.4 After the contribution to Council Tax, the resident would have just £80.08 per week to cover all other living expenses, such as food, gas, electricity, water, insurance, travel expenses etc.
- 3.5 Whilst the principle of all working age households paying a contribution was initially thought to be an approach which would be central to the design of CTS schemes, the reality is that since its introduction 10 years ago, low-income taxpayers and the poorest households have often struggled to pay the balance remaining, leading to additional costs, court hearings, enforcement action and, in some cases, the amounts demanded may have been written off as uncollectable.
- 3.6 Given the current economic climate there is a need to consider if the requirement for a contribution towards council tax in such circumstances really is proportionate or indeed feasible, given the administrative overheads of pursuing such a small debt from those with the least financial capability to pay.

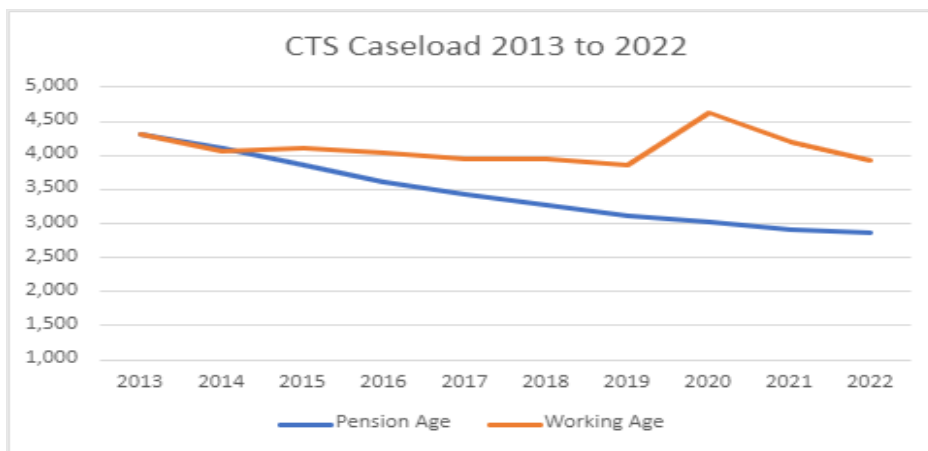
Universal Credit and its impact on Administration

- 3.7 Since the introduction of Universal Credit (UC), local authorities have seen a considerable increase in workload per claim, despite the reduction in caseload. The responsive nature of UC means on average, 40% of UC claimants have between 8 and 12 changes in the amount of UC awarded per annum. For HDC this equates to around 32k changes per annum currently, and this will continue to increase as more customers transition onto UC over the coming years.
- 3.8 Generally, each time the UC award changes so too does the amount of CTS, impacting on Council Tax bills, collection and cashflow as new bills are issued and instalments change. Multiple changes make it difficult for low-income households to budget effectively as the amount they are required to pay can fluctuate every month. As more residents' transition to UC from legacy benefits the impact of these changes will continue to grow, increasing resource requirements for Local Authorities to process the changes across both CTS and Council Tax collection, and impacting on the Council's ability to process new claims and other changes in a timely manner.
- 3.9 As a result of the national rollout of UC, around 30% of authorities have implemented CTS schemes with income bands to help reduce the impact of frequent changes. With income-banded schemes, small changes to income do not always result in a change to the amount of CTS awarded, reducing the requirement to issue updated Council Tax bills and providing more certainty regarding payment amounts for residents. Additional benefits include:

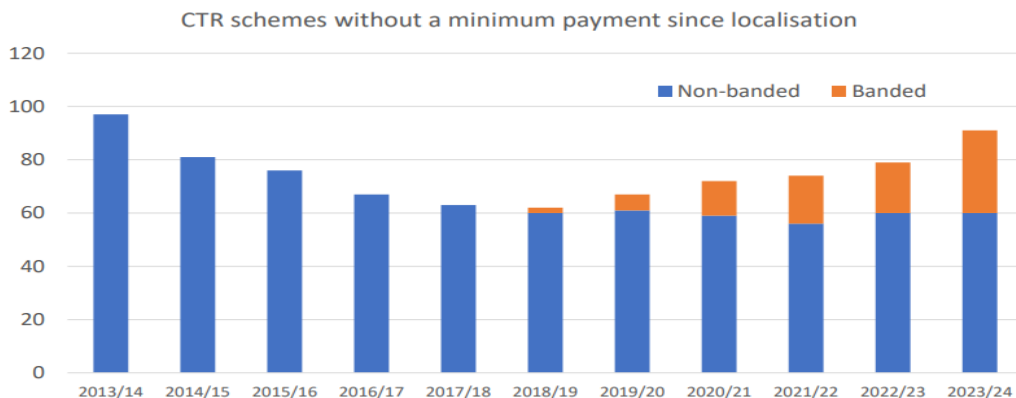
- ✓ Easier for residents to understand and access.
- ✓ Reduction in Council Tax bills being sent as change in circumstances will not always generate changes to entitlement.
- ✓ Simplified administration and training requirements
- ✓ Opportunities for greater process automation
- ✓ Improvements in processing times to deliver support more quickly to those in need

Caseloads

3.10 Since the introduction of CTS in 2013 caseloads have fallen consistently, largely driven by a reduction in pensioner claims as a result of pensioners receiving increases in state and occupational pensions higher than the allowances within the prescribed regulations.



3.11 This reduction in caseload provides an opportunity to consider increasing the level of support offered to those households on the lowest incomes, as the overall reduction to the taxbase in respect of CTS has declined over time and the proportion of Council Tax yield foregone in respect of CTS has reduced. Indeed, a report of CTS schemes in 2023/24 published by Entitled To shows a growing trend toward Councils moving towards increasing the maximum support.



Source: Entitled To - Review of Council Tax Reduction Schemes 2023/24, May 2023

4. SCHEME DESIGN

- 4.1 Local authorities have freedom around what their working age schemes should look like, and the sheer number of options available can make it difficult to identify what design might best support local residents in line with Council objectives. Therefore, two key principles have underpinned this design process:
- i) The scheme needs to align with the HDC corporate plan, particularly around our commitment to prevent crisis and to support those in crisis;
 - ii) The administrative burden needs to be reduced to support our aim of delivering good quality, high value-for-money services
- 4.2 Using these principles and the rationale for change already detailed, the proposed scheme has been designed to use income bands to provide a more straightforward indication of CTS award amounts and to reduce the impact of small changes to CTS amounts on Council Tax bills. The scheme also looks to remove the maximum liability limit of the existing scheme, providing increased support of up to 100% of Council Tax liability to low-income households across the district.
- 4.3 The new scheme design has been subject to a full consultation process with the public and the major precepting authorities, in line with legislative requirements. No consultation responses were received from the Major precepting authorities, and responses to the public consultation are shown in APPENDIX A.
- 4.4 It should be noted that the Council has received no adverse responses to the proposed approach from the major preceptors and in the case of the public consultation, all changes proposed have received a positive majority response. 75% of respondents were in favour of introducing the proposed scheme, with 16% against and 9% not indicating a preference.
- 4.5 The consultation asked respondents to indicate yes / no / don't know in relation to proposals in each of the change categories. Provision was also made for respondents to provide further comment in support of their responses if they wished. Some comments were received but these have not impacted on the overall positive outcome of each question.
- 4.6 The scheme has been designed to provide increased levels of support to the low-income households by increasing the maximum amount up to 100%, and by replacing the various "personal allowances" in the current scheme with an income-banded model as shown below, the scheme is easier to understand. The figures shown in the table below are based on 2023-24 income figures.

Band	Discount	Single Person (weekly net income)	Couple with no children (weekly net income)	Couple or Lone Parent with one child/young person (weekly net income)	Couple or Lone Parent with two children /young persons (weekly net income)	Couple or Lone Parent with three children /young persons (weekly net income)	Couple or Lone Parent with four or more children/young persons (weekly net income)
1*	100%	£0 to £86.00	£0 to £135.00	£0 to £196.00	£0 to £258.00	£0 to £321.00	£0 to £383.00
2	75%	£86.01 to £135.00	£135.01 to £185.00	£196.01 to £246.00	£258.01 to £308.00	£321.01 to £371.00	£383.01 to £433.00
3	50%	£135.01 to £185.00	£185.01 to £235.00	£246.01 to £296.00	£308.01 to £358.00	£371.01 to £421.00	£433.01 to £483.00
4	25%	£185.01 to £235.00	£235.01 to £285.00	£296.01 to £346.00	£358.01 to £408.00	£421.01 to £471.00	£483.01 to £533.00
5	0%	£235.01 +	£285.01+	£346.01+	£408.01+	£471.01+	£533.01+

4.7 The fixed discount amounts are set at 25% per band to be consistent with other Council Tax discounts, and the income bands are aligned with levels of personal allowances within UC as a starting point with a view to providing a consistent approach for residents. The current CTS scheme applies a 20% reduction in support for every £0.01p of income over personal allowance amounts, and so the rationale of having fixed bands not only reduces the impact of UC changes on Council Tax bills, but also provides a much clearer scheme which is easier to understand and therefore access. Further detail regarding the operation of the proposed scheme is included in APPENDIX B.

4.8 If the recommendations are accepted by the Council, the new scheme will take effect from 1 April 2024.

5. SCHEME BENEFITS

5.1 By simplifying the scheme to take an approach more in line with other Council Tax discounts, the issues identified with the current scheme can be addressed:

5.2 **Levels of support.** The new scheme will look to deliver increased support of up to 100% to low-income households across Huntingdonshire, supporting those in need in line with the Council's Corporate Plan.

5.3 **The scheme will deliver a simplified claiming process.** For Universal Credit applicants, Universal Credit data received from the Department for Work and Pensions (DWP) will be treated as a claim for Council Tax Reduction. Where sufficient information is received from DWP, the entitlement to CTS will be processed without the likely need to request further information from the resident, as the details would have already been subject to DWP verification processes. This streamlined approach will also support quicker processing times, delivering much-needed support to residents in a timely manner.

5.4 **The income bands are sufficiently wide to avoid constant changes in discount.** The current CTS scheme is very reactive and will alter even if the overall change to the person's liability is small. This is leading to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax demands. The new scheme, with its simplified income banding approach will have the following advantages:

- (i) Only significant changes in income will affect the level of discount awarded;
- (ii) Council Taxpayers who receive CTS will not receive multiple Council Tax demands and adjustments to their instalments, providing more certainty regarding amounts to pay and enabling residents to budget more effectively, whilst also reducing costs associated with billing and postage; and
- (iii) The new scheme is designed to reflect a more modern approach, where any discount changes it will be effective from the day of the change rather than the Monday of the following week, in line with how Council Tax is calculated.

6. KEY IMPACTS

6.1 In deciding on any new scheme, the Council must be mindful that any changes may result in a change to the entitlement for some applicants. Whilst the scheme has been designed with a view to protect the most vulnerable by maintaining or increasing support levels for most, as with changes in any such scheme, there will be some that receive a greater level of support, and some that will receive less. From modelling based on current values, approximately 96% of applicants will receive either the same or more support and only 4% will receive a reduced level of assistance.

6.2 To mitigate the impact on those who face a reduction in support, the new scheme will contain additional provisions to protect those who experience exceptional hardship as a result of changes to the scheme. 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. Where appropriate further support will be given to the applicant for a period of up to one year to assist with the transition to the new scheme.

6.3 This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the CTS Scheme and fall to be paid through the Collection Fund. Details of the Exceptional Hardship Scheme are provided in Appendix B.

6.4 Financial impacts are detailed in point 10 of this report.

7. CORPORATE OBJECTIVES

7.1 Our Corporate plan for 2023-2028 outlines our commitment to:

1. Improve the happiness and wellbeing of residents by keeping people out of crisis and helping those in crisis; and
 2. Deliver good quality, high value-for-money services
- 7.2 There are a range of Council Tax discounts and exemptions available to ensure residents contribute to the cost of local services proportionately to their circumstances. CTS further builds on this with the assessment of resident's financial capacity to contribute, supporting those most in need by reducing or eliminating the requirement for a contribution where it would be considered disproportionate to their financial circumstances.
- 7.3 The simplified scheme design recommended would be easier to understand and therefore access, whilst reduced administration requirements will improve the speed of decisions for residents and enable the high volume of UC changes to be managed within existing resources. A more generous scheme would directly improve the financial position for many eligible low-income households across the district and negate the need for HDC to pursue recovery action on such small debts.
- 7.4 The cost impact of CTS is calculated as a reduction to the taxbase, and as such there is a financial impact of any increase for the other precepting authorities, mainly Cambridgeshire County Council. It should be noted these proposals support CCC's ambition to help people out of poverty and income inequality, working with partners to ensure support for people is straightforward, equitable and does not stigmatise. Cambridgeshire County Council and other Major preceptors have been consulted on the proposed new scheme, although no consultation responses were received.
- 7.5 It is also important to recognise the wider impact which poverty and debt have on health and wellbeing, and the potential for positive outcomes which could be realised more broadly by increasing the level of CTS support. A report by the Joseph Rountree Foundation, UK Poverty 2023, found that *".....among working-age adults, people living in poverty are more likely to suffer from poor health more broadly. There is evidence that suggests low incomes are associated with potential symptoms of anxiety, such as lack of sleep, lacking energy and feelings of depression. For children, even at a young age, there is a gap in young people's educational attainment by parental income level, and this continues throughout the different stages of a child's education"*. Increasing the maximum level of support available via the CTS scheme will directly impact on poverty within Huntingdonshire and will therefore contribute to the wider health and wellbeing of residents.

8. ALTERNATIVE OPTIONS

- 8.1 The alternative to introducing a new scheme for CTS from 2024/25 is to leave the existing scheme in place. This would likely be a short-term option, for it would lead to increasing administration costs as the continued rollout of Universal Credit over the coming years will result in increased volume of changes to process. In the longer term, the collection of Council Tax may also be affected as those low-income

households continue to struggle to pay 20% of the Council Tax, which often results in recovery action and additional costs on small debts from those least able to pay.

9. LEGAL IMPLICATIONS

- 9.1 Schedule 1a of the Local Government Finance Act 1992 requires Local Authorities to review their CTS schemes annually and any revision or replacement must be made no later than 11th March in the financial year preceding the year for which the revision is made.
- 9.2 Before agreeing a new 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.
- 9.3 The public consultation ran for 7 weeks from 21st July 2023 to 10 September 2023 and the preceptor consultation for 4 weeks from 21st July. Responses from the public consultation are found in APPENDIX A. It should be noted that no consultation responses were received from Major Preceptors.

RESOURCE IMPLICATIONS

- 10.1 CTS is a Council Tax discount and as such the cost of any scheme is calculated as a reduction to the taxbase. That is, the number of dwellings in the area, after adjustments for discounts and exemptions, and a forecast for growth, on which a precept can be charged. This means that the overall cost of the CTS scheme, as with other discounts and exemptions, is shared proportionately across the preceptors. The approximate percentage split is as follows:

Cambridgeshire County Council	71%
Cambridgeshire Police & Crime Commissioner	12%
Huntingdonshire District Council	7%
Parish & Town Councils	6%
Cambridgeshire Fire Authority	3.5%
Cambridgeshire & Peterborough Combined Authority	0.5%

- 10.2 Initial modelling conducted in June 2023 estimated the additional cost of the CTS proposals to be in the region of £890k per annum. Further modelling carried out in early September estimated the additional cost to be around £990k per annum, or around 450 band D equivalent properties in the taxbase. The additional cost of the scheme would be split across the preceptors in the following proportions:

Additional cost	District	County	Police	Fire	CPCA	Parish	Total
cost @ £890k	63,285.46	626,467.59	110,654.14	32,450.75	4,872.49	52,269.58	890,000.00

cost @ £990k	70,396.19	696,857.20	123,087.18	36,096.90	5,419.96	58,142.57	990,000.00
difference	7,110.73	70,389.62	12,433.05	3,646.15	547.47	5,872.99	100,000.00

10.3 This change in estimated impact is mainly as a result of further work carried out over the summer to enhance the quality of data forecasting, coupled with general changes in caseload. It is important to note that scheme costs, caseload and indeed the overall taxbase are subject to regular movement. As such, the forecast of financial impact remains a “best guess”, and modelling will continue to be undertaken throughout the remainder of the current financial year to track the likely scheme costs.

10.4 The cost of supporting current CTS recipients transitioning to the new scheme via an Exceptional Hardship scheme has been forecast to cost an additional £44k if full support is provided for one year. This would be split across the precepting authorities as follows:

Additional Cost	District	County	Police	Fire	CPCA	Parish	Total
Exceptional Hardship Scheme	3,128.72	30,971.43	5,470.54	1,604.31	240.89	2,584.11	44,000.00

10.5 Although the cost of the CTS scheme for 2024/25 is anticipated to increase as a result of the proposed scheme design, the overall level of CTS as a proportion of the Council Tax Base has reduced year on year since 2013 as shown below, and this would still represent a significant reduction in the proportion of costs in real terms compared to the original CTS level in 2013:

	Average Band D Charge	Taxbase	Gross Yield (Taxbase x Average Band D)	CTS £	% of yield	Estimated CTS spend	Estimated % of yield
2023	2192	65,795	144,216,061	7,649,291	5.04	8,683,290.65	5.68
2022	2075	64,501	133,866,020	7,314,969	5.18		
2021	1986	63,355	125,810,993	7,360,375	5.53		
2020	1925	62,854	121,004,635	7,357,244	5.73		
2019	1855	61,749	114,567,860	6,777,367	5.59		
2018	1753	60,542	106,153,737	6,650,929	5.90		
2017	1675	60,111	100,694,341	6,509,060	6.07		
2016	1641	59,358	97,413,601	6,609,231	6.35		
2015	1609	58,329	93,868,276	6,740,617	6.70		
2014	1585	57,357	90,897,079	6,884,853	7.04		
2013	1558	56,358	87,805,764	7,170,721	7.55		

10.6 Coupled with the ongoing reduction in pensioner caseload as detailed in 3.10, the overall cost of the CTS scheme as a proportion of the taxbase is anticipated to reduce in future years.

10.7 Whilst the County Council would realise the greatest impact of increasing CTS support, this change would equate to around 0.19% of the overall CCC precept, which for 2023-24 was £371,811,613.

10.8 Increasing support via the CTS scheme directly aligns with the corporate priorities of both HDC and CCC as set out in part 7. It should also be

noted that 100% schemes are already in place elsewhere in Cambridgeshire, with schemes for 2023 offering as follows:

Authority	Banded Yes / No	Maximum Award
Cambridge City	Yes – for UC	100%
East Cambridgeshire	No	91.5%
Fenland	No	80%
Huntingdonshire	No	80%, 85% & 100%
South Cambridgeshire	Yes	100%

11.0 Equality and Diversity/Equality Impact Assessment

11.1 The move to the new scheme will either have a neutral or positive affect to the majority of working age claimants. From initial modelling it is anticipated that around 3,958 (96%) applicants will receive the same or more support than under the previous scheme.

11.2 As with all changes however, latest modelling indicates there will be up to 163 applicants who may receive less support that previous. Where a reduction in CTS arises as a result of changed to the scheme, the applicant is able to make an application for further support via the Council’s Exceptional Hardship Fund which is shown in Appendix C.

11.3 A full EQIA is attached within Appendix D.

12.0 REASONS FOR THE RECOMMENDED DECISIONS

12.1 It is recommended that Council agrees to adopt an income- banded scheme as detailed within this report which offers a greater level of support to residents than the current CTS scheme. The reasons for the recommendation are set out below. The revised scheme:

- ✓ Aligns with the Council’s commitments within the Corporate Plan. That is, to keep people out of crisis, help those in crisis, and deliver good quality, high value-for-money services
- ✓ Aligns with CCC’s ambition to help people out of poverty and income inequality
- ✓ Increases the level of support for low-income households up to 100% of Council Tax Liability
- ✓ Targets support in line with local family demographics
- ✓ Distributes support across the whole caseload fairly, minimising the number of residents that are significantly impacted, positively or negatively
- ✓ Aligns with UC personal allowance rates to ensure scheme keeps pace with national support levels

- ✓ Supports reduced administrative requirements to allow improved service delivery, providing support to residents quicker whilst reducing the impact council tax billing and collection

13.0 LIST OF APPENDICES INCLUDED

APPENDIX A	Consultation Responses
APPENDIX B	CTS Scheme Further Information
APPENDIX C	Exceptional Hardship Scheme
APPENDIX D	Equalities Impact Assessment

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