



North Devon Council

Report Date: STRATEGY AND RESOURCES 7 NOVEMBER 2022

Topic: COUNCIL TAX REDUCTION SCHEME

Report by: REVENUES AND BENEFITS MANAGER

1. INTRODUCTION

- 1.1. In April 2013, as part of the national welfare reform, the government changed the way financial support for Council Tax was managed. This meant that the national Council Tax Benefit system, which helped people with low incomes meet their Council Tax obligations, was replaced by new Council Tax Reduction schemes designed, administered and managed by Local Authorities.
- 1.2. This change did not affect pension age claimants whose scheme is prescribed by central government.
- 1.3. Each year we have to review our scheme. The Devon Revenues and Benefits Officers Group work together in reviewing schemes across the county.
- 1.4. Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax.
- 1.5. Since 2013, the majority of authorities have required all working age applicants to pay a minimum payment. In North Devon our working age applicants pay at least 20 per cent of their charge.
- 1.6. Working age applicants in the Teignbridge District Council area can still receive 100 per cent support towards their Council Tax. As with many Councils nationwide, other Devon Councils are now considering increasing support to 100 per cent for those households on the lowest of incomes. The proposal for 2023-2024 is that we at North Devon increase ours.
- 1.7. Additionally we are also proposing to disregard emergency increases in national welfare benefits and certain crisis payments paid to taxpayers.

2. RECOMMENDATIONS

That Strategy and Resources;

- 2.1. Recommends to Council that it adopts the Council Tax Reduction scheme (**Appendix A**) which has been changed to increase support, as detailed in the report, to the households on the lowest of incomes.



- 2.2. Recommends to Council that the scheme is also amended to include disregards for any emergency increases in national welfare benefits and certain crisis payments made to taxpayers (Local Welfare Provision).

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that the Council adheres to the legislative requirement to provide a Council Tax Reduction Scheme for 2023-24.
- 3.2. That by adopting the proposed changes to the scheme, the Council helps households on low income at this time of financial hardship.

4. REPORT

- 4.1. The current prescribed scheme protects pension age customers with up to 100 percent support. Since its introduction in 2013, our scheme for working age customers requires everyone to pay at least 20 percent towards their Council Tax liability. Prior to 2013, Council Tax Benefit provided up to 100 percent support for working age applicants on low incomes.
- 4.2. Many of our low-income taxpayers have struggled to pay the minimum 20 percent contribution. This leads to additional costs being added to the balance on their Council Tax bill, court and enforcement action and, in many cases, the amounts demanded are eventually written off as they are deemed uncollectable. The cost of administering these cases has increased significantly over the last few years and are borne solely by the Council. With the difficulties experienced in recovery, the relatively low level of payment by the customer and the high administration costs incurred, it no longer makes the amounts economically viable to collect. Notwithstanding the negative effects to those poorest households.

4.3 Therefore we are proposing the following changes to the current working age Council Tax Reduction scheme;

Proposal 1

To increase the maximum Council Tax Reduction that a customer can receive from 80 percent to 100 percent of their Council Tax liability.

At present the maximum reduction a customer can receive is 80 percent of their Council Tax liability. We have seen a significant increase in Council Tax arrears for low income households. Because of the current financial situation, our lowest income households are finding it increasingly difficult to pay their current 20 percent contribution.



The benefits of this proposal are;

- Our lowest income households could have their full Council Tax liability covered by their Council Tax Reduction entitlement.
- As all discount bands would have to change in line with this increase, customers in other discount bands would also receive more Council Tax Reduction.
- Savings in Council Tax recovery costs and improved efficiency of staff resource.

The drawbacks of this proposal are;

- An increase in the cost of the scheme (NDC's share is 10%), although this is offset in part by reduced collection costs.

The proposed new discount bands will be as in the grid below (the income amounts will be uprated in line with Government benefit increases which will be announced later in the year);

	Discount	Single person	Couple	Single with child/children	Couple with child/children
Band 1	100 percent	£0 to £78.00	£0 to £122.00	£0 to £ 148.00	£0 to £192.00
Band 2	80 percent	£78.01 to £111.00	£122.01 to £155.00	£148.01 to £181.00	£192.01 to £225.00
Band 3	60 percent	£111.01 to £144.00	£155.01 to £188.00	£188.01 to £214.00	£225.01 to £258.00
Band 4	40 percent	£144.01 to £177.00	£188.01 to £221.00	£214.01 to £247.00	£258.01 to £291.00
Band 5	20 percent	£177.01 to £210.00	£221.01 to £254.00	£247.01 to £280.00	£291.01 to £324.00
No discount	0 percent	£210.01 and above	£254.01 and above	£280.01 and above	£324.01 and above

Proposal 2

To disregard emergency increases in national welfare benefits.

Where the Government makes emergency increases to national welfare benefits, the scheme will give the Council the discretion to disregard those increases if they would have a negative effect on Council Tax Reduction awards.

The benefits of this proposal are;

- The change is simple and administratively easy to incorporate within the scheme.
- It will ensure that the receipt of these payments will not have an adverse effect by reducing any award of Council Tax Reduction.

The drawbacks of this proposal are;

- There are no drawbacks to this change as it will maintain the level of Council Tax Reduction awards.

Proposal 3

The scheme will disregard certain crisis payments paid to taxpayers (Local Welfare Provision)

During difficult times and when there is a crisis, the Government makes payments to assist households. This change will allow the Council to disregard such payments so that it will not have an adverse effect on Council Tax Reduction awards.

The benefits of this proposal are;

- The change is simple and administratively easy to incorporate within the scheme.
- It will ensure that the receipt of these payments will not have an adverse effect by reducing any award of Council Tax Reduction

The drawbacks of this proposal are;

- There are no drawbacks to this proposal as it will maintain the level of Council Tax Reduction awards.

4.4 The Council undertook a comprehensive consultation on the proposals during the period 7 September 2022 – 19 October 2022. This consultation was promoted in the following ways;

- Press release in local newspaper
- North Devon Council website
- Social Media (Facebook and Twitter)

4.5 A total of 96 responses to the consultation were received. The results are shown, in full, in **Appendix B**. The majority of responses received were in favour of the proposed changes.

4.6 Precepting Authorities and the local Citizens Advice were also consulted and their responses, where received, are shown in **Appendix C (Fire service) and Appendix D (Devon County Council)**.

5. RESOURCE IMPLICATIONS

- 5.1. An increase in the cost of the scheme, although this is offset in part by reduced cost of resource in the collection of unpaid Council Tax
- 5.2. Prior to 2013/14 the Council Tax Benefit Scheme cost the public purse in the region of £7.50m.
- 5.3. The first year of the CTR Scheme was originally forecast to cost £6.57m.
The schemes have so far cost -:

Year 1 (2013/14) the scheme cost £6.26m

Year 2 (2014/15) the scheme cost £5.95m

Year 3 (2015/16) the scheme cost £5.69m

Year 4 (2016/17) the scheme cost £5.59m

Year 5 (2017/18) the scheme cost £5.45m

Year 6 (2018/19) the scheme cost £5.50m

Year 7 (2019/20) the scheme cost £5.60m

Year 8 (2020/21) the scheme cost £7.2m (of which £0.66m was the Covid 19 CTR Hardship Fund

Year 9 (2021/22) the scheme cost £6.8 (of which £0.054m is Covid 19 CTR Hardship Fund

Year 10 (2022/23) has a current forecasted cost of £6.7m. Modelling on the above proposals shows a potential increase of £841,500 (North Devon Council's share is 9.14 percent).

- 5.4. The Council Tax collection rate currently budgeted for in North Devon is 97 percent. It used to be higher but then when we adopted the Council Tax Reduction scheme in 2013, collection rates overall started to fall. This is because collecting the 20 percent Council Tax from the poorest families was a challenge. These debts are stacking up considerably and proving to be very difficult to collect.

The impact from this within the current collection fund is an ever growing debt in this area, together with increased bad debt provision – so this is a growing cost within the collection fund.

These proposals would enable us to free up resource to concentrate on increasing the tax base and recovering collectable debt.

6. EQUALITIES ASSESSMENT

- 6.1. Please detail if there are/are not any equalities implications anticipated as a result of this report. If so, please complete the Equality Impact Assessment



(EIA) Summary form available on Insite and email to the Corporate and Community Services Team at equality@northdevon.gov.uk.

6.2. No equality implications have been identified.

7. ENVIRONMENTAL ASSESSMENT

7.1. Please undertake an Environmental Assessment and complete the checklist (EAC) form available on Insite. If there are no environmental implications arising from your proposals please state that there are none. If after completion of the assessment there are environmental implications please provide a brief summary. If you require any further information please contact the Sustainability and Climate Change Officer. Email completed EACs to donna.sibley@torridge.gov.uk

7.2. There are no environmental implications arising from the proposals in this report.

8. CORPORATE PRIORITIES

8.1. What impact, positive or negative, does the subject of this report have on:

8.1.1. The commercialisation agenda:

8.1.2. Improving customer focus – the proposed changes to our CTR scheme will help the most financially disadvantaged households in the North Devon Council area.

8.1.3. Regeneration or economic development

9. CONSTITUTIONAL CONTEXT

9.1. Article of Part 3 Annexe 1 paragraph: Article 4.4

9.2. Referred or delegated power? Referred

10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

11. BACKGROUND PAPERS

The following background papers were used in the preparation of this report: (The background papers are available for inspection and kept by the author of the report).

12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Julie Dark – Revenues and Benefits Manager

