

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL BUDGET)</b>	<b>AGENDA ITEM:8</b>
<b>DATE OF MEETING:</b>	<b>13<sup>th</sup> JANUARY 2022</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ELIZABETH BARTON</b> <a href="mailto:elizabeth.barton@southderbyshire.gov.uk">elizabeth.barton@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>CONSULTING ON REVISED LOCAL COUNCIL TAX REDUCTION SCHEME 2022 – 2023: PROGRESS UPDATE</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM12</b>

## **1.0 Recommendations**

- 1.1 The Committee notes the consultation activity carried out to date in relation to the proposed changes to South Derbyshire's Local Council Tax Reduction Scheme.
- 1.2 The Committee notes the views provided so far as part of the public consultation.
- 1.3 The Committee notes that a full report will be presented to Finance & Management Committee on 10 February 2022.

## **2.0 Purpose of Report**

- 2.1 To provide members of the committee with a progress update on the consultation activity carried out to date in relation to proposed changes to South Derbyshire's Local Council Tax Reduction Scheme and an overview of the feedback received so far. This report does not seek to analyse the views in any depth but presents them as they have been provided. Further in-depth analysis will be provided in the report to Finance & Management Committee on 10 February 2022.

## **3.0 Executive Summary**

- 3.1 South Derbyshire District Council is consulting on proposed changes to its Local Council Tax Reduction Scheme for working-age claimants. Pension age claimants are supported under a national scheme that is not affected by the proposals. The purpose of the proposed changes is to make the scheme:

**Better for residents** Fairer distribution of support to the most financially vulnerable residents, less paperwork and confusion, more financial stability, and greater customer satisfaction.

**Better for the Council** More streamlined administration, less debt recovery carried out with vulnerable residents, update of the scheme in line with changes introduced by welfare reform and Universal Credit (UC).

- 3.3 The proposed changes include:

- The removal or replacement of the baseline, so those on the lowest incomes would no longer need to pay 8.5% or 10% towards their Council Tax.
  - The removal of Second Adult Rebate.
  - The simplification of Non-Dependent Deductions.
  - The treating of Universal Credit Claims as a claim for Council Tax Support.
  - The introduction of a minimum award.
  - Changes to bring the scheme into line with recent changes to other welfare benefits.
  - The retention of the taper scheme or introduction of a banded scheme.
- 3.4 Before the Council can make any changes to its current scheme, it is important that it consults widely with residents and partners.
- 3.5 To gather as many views as possible, the Council is hosting a 12-week consultation period that ends on 15 January at 5pm. As part of the consultation, the following activities have taken place:
- Created an easy to read guide, so residents can find out about the proposed changes [www.southderbyshire.gov.uk/cctrschanges](http://www.southderbyshire.gov.uk/cctrschanges) (see Appendix 1).
  - Developed an online modelling tool so claimants can see how the changes could affect their claim.
  - Launched an online survey at [www.southderbyshire.gov.uk/ctrschanges](http://www.southderbyshire.gov.uk/ctrschanges).
  - Written to all precepting authorities and parish councils.
  - Delivered an ongoing social media campaign to encourage people to give their views.
  - Written to all current claimants to ask them to give views.
  - Texted all housing tenants to ask them to give views.
  - Hosted two Elected Member workshops.
  - Emailed details to all Elected Members.
  - Offered face-to-face and telephone support sessions to customers.
  - Attended a partner workshop with the CVS.
  - Presented to the Equality & Diversity Steering Group.
  - Issued press releases.
- 3.6 The Council will also complete a further press and social media push towards the end of the consultation period.

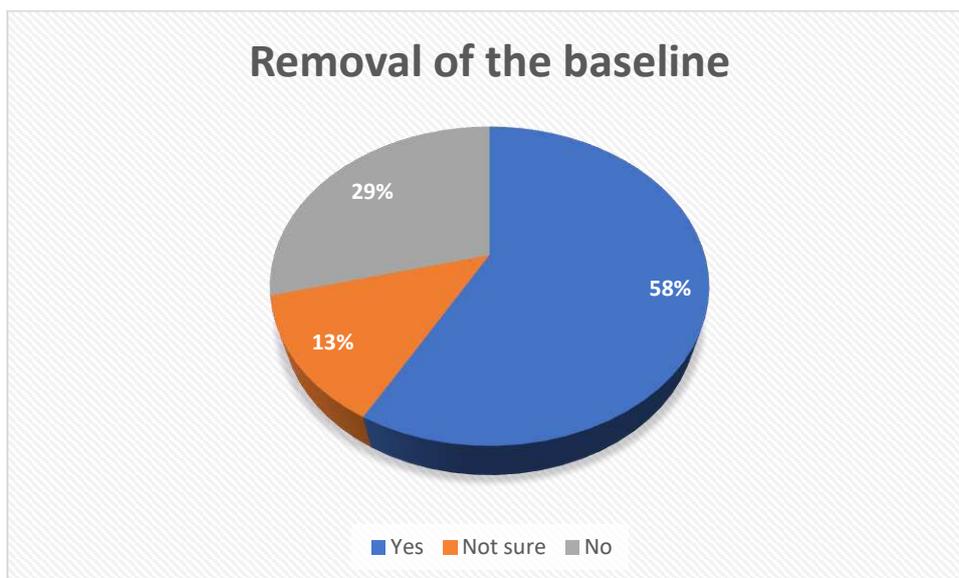
### **Feedback so far**

- 3.7 The County Council has indicated it is supportive. No responses have been received from the Fire Service or Police to date.
- 3.8 The Council has not received any formal responses from parish councils, although a number have submitted queries which the Council is responding to in order to gather their views.
- 3.9 Two partnership workshops were offered through the CVS, but no one signed up to attend. In lieu of this, all partners have been sent details of the proposed changes to share with their members/communities.

3.10 Eight elected members attended a workshop on the proposed changes and all other Elected Members have been given the opportunity to give their views or meet with the team individually to understand the changes in more depth. Elected Members have also been supportive in sharing the proposed changes with their residents.

3.11 So far, thirty-one local residents (as at 13/12/2021) have given their views as part of the online survey. In the main, the majority of residents who completed the survey are supportive of the changes, and introducing a banded scheme is the most favoured option. The views received to date are as follows:

**Question 1: Should the Council remove/replace the baseline reduction?**



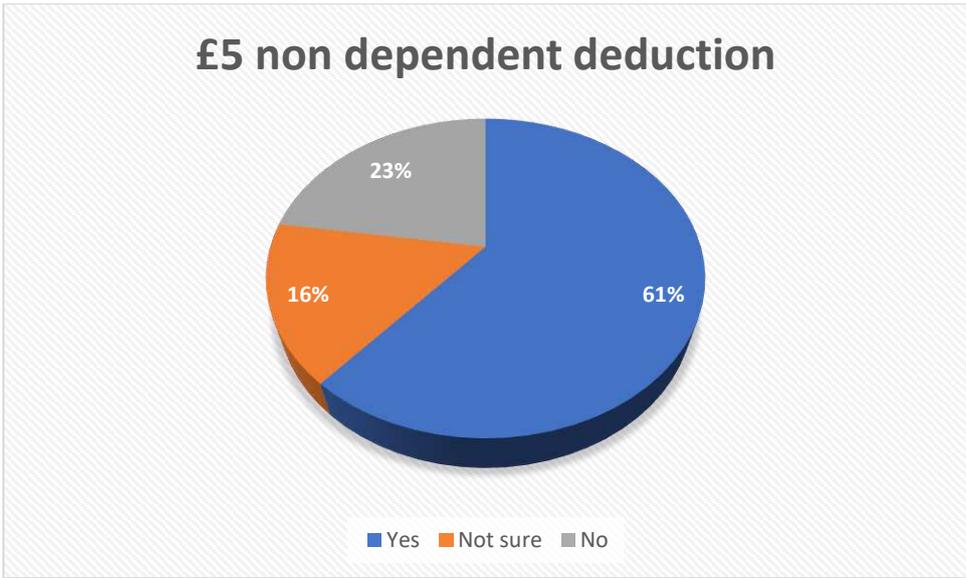
<b>Positive comments</b>
This is a great help to residents on a low income.
Finding even the baseline payment each month was extremely difficult. Surviving on our income is already impossible. No charges would be gratefully received.
I currently can't pay my council tax due to low wages and it keeps being changed each month due to my UC going up and down.
<b>Neutral comments</b>
Both myself and my partner are both on benefits and yet don't get any reduction because we have a small amount of savings. Is it to be based on income alone?
With gas and electric bills going up, it's more expensive and we are not getting any more benefits to help pay towards it.
If this will work for everyone, I think it will be a good idea but if you're going to give it with one hand and take it away with another there is no point changing it, perhaps it would be better to make council tax more equal for everyone.
While I fully support claimants getting 100% discount as this makes those in financial hardship not have to be concerned with potentially getting a priority debt if they are unable to pay it, I am concerned that the wording of this opens the door in which the Council could then abuse the system by implementing other percentage payments that aren't on what the Council may consider to not be on the "very lowest incomes". I am well aware of the differences to what the Council and/or government consider to be a basic cost of living and actual cost of living.
<b>Negative comments</b>

No incentive to work and save money.

We need as much money for services as possible. Those on low income are often compensated by benefits, whilst people on low incomes without benefits are forgotten and forced to foot the bill for benefit claimants.

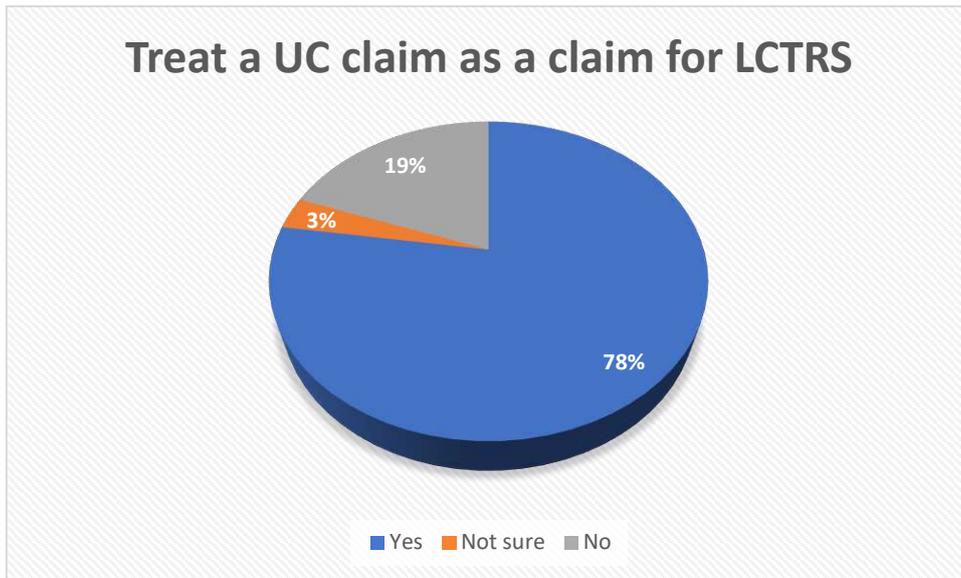
As a single resident, I pay 75% of my council tax. If someone else lived here, we would quite rightly pay 100% or 50% each. Why, as a single resident do I only get a 25% reduction and not a 50% reduction? Effectively means I'm paying 150%. I'm being punished for living alone.

Question 2: **Should the Council introduce a standard £5 non-dependent deduction?**



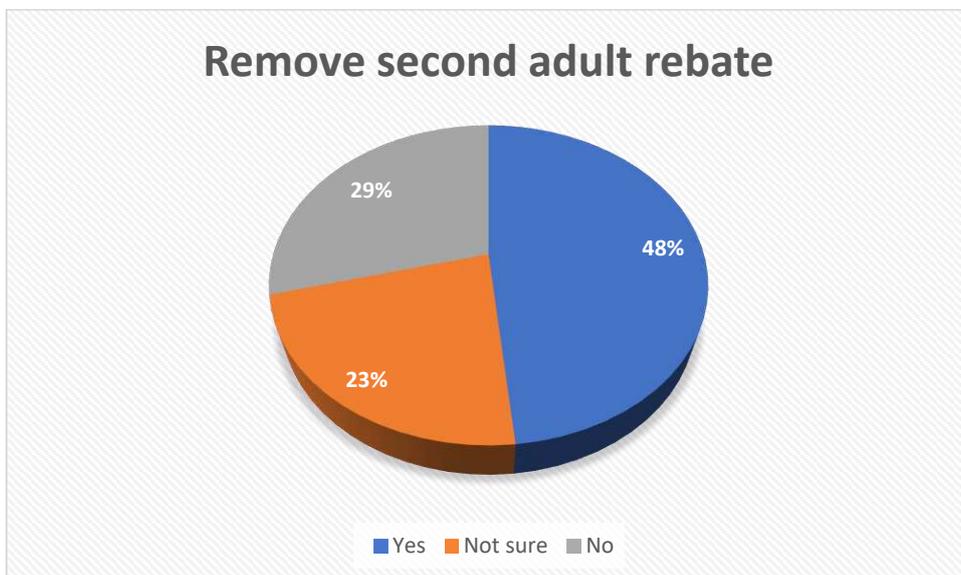
<b>Positive comments</b>
Seems fair and proportionate.
Good idea as gives incentive to work.
<b>Neutral comments</b>
Again, provided it's solely income based and doesn't take any savings into account.
<b>Negative comments</b>
I find the whole system of reductions and eligibility needs to be changed and this equalising by introducing a standard reduction is a plaster to the problem, not a solution.

**Question 3: Should the Council treat a claim for Universal Credit as a claim for council tax reduction?**



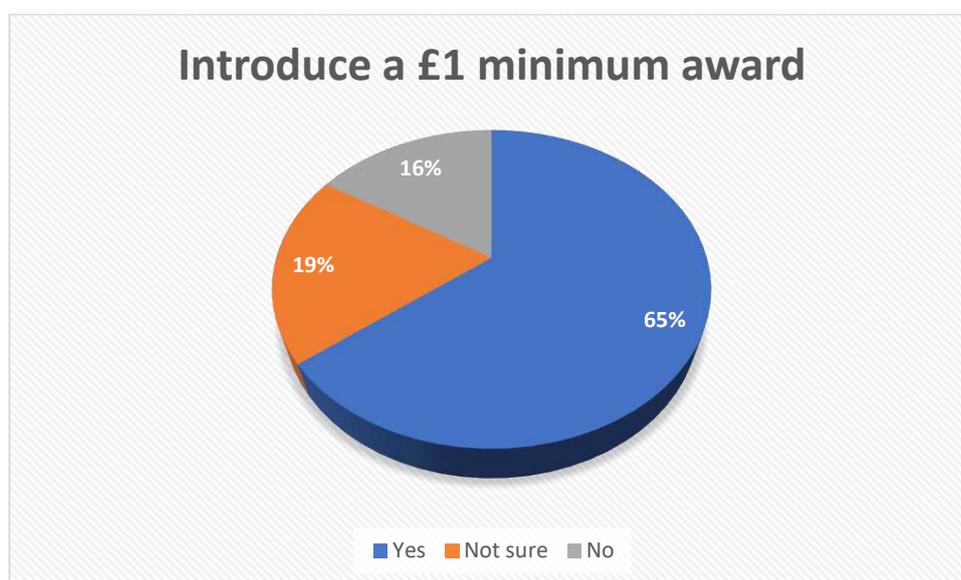
<b>Positive comments</b>
Very strongly agree. Far too many unnecessary forms at present, many of which duplicate information. More cohesion needed between departments.
<b>Neutral comments</b>
Honestly this is news to me in the first place, I thought Universal Credit included Council Tax Support (where applicable) already. This needs to be made more publicly aware as many of those who are on legacy benefits and currently claiming LCTR will eventually be transferred to Universal Credit, which involves cancelling the current claim of the legacy benefit and starting a new claim for UC, which will cause confusion as to whether they need to cancel, continue or reapply for LCTR and/or Housing Benefit from the council.
<b>Negative comments</b>
Making it easy gives no incentive to move on.

**Question 4: Should the Council remove second adult rebate?**



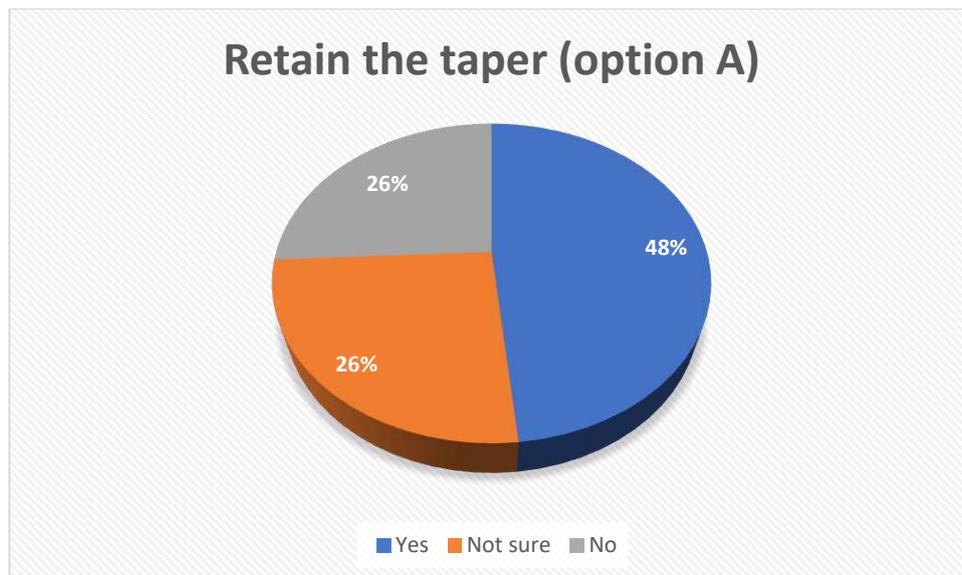
<b>Neutral comments</b>
There is still an argument that a single person in one household uses less services. However, believe, if workable, salary should be used to distinguish payment levels. But won't this introduce more work!
This doesn't affect my situation, so I'm not sure what's the right answer
<b>Negative comments</b>
If there is a second adult on a low income, then they are already having a higher council tax bill due to not having the 25% reduction for being a single occupant as there are two adults. Furthermore, this system and the attempt to remove it is indicative of a failure to investigate the income of the other adult and finding out if they are actually on a low income, a high income, or actually eligible for council tax reduction if they were paying it instead.
38 residents and you do a survey? Bureaucracy at its finest. What a complete waste of resources. This survey question has probably cost more than the money you'd gain. Pointless.

Question 5: **Should the Council introduce a £1 minimum award?**



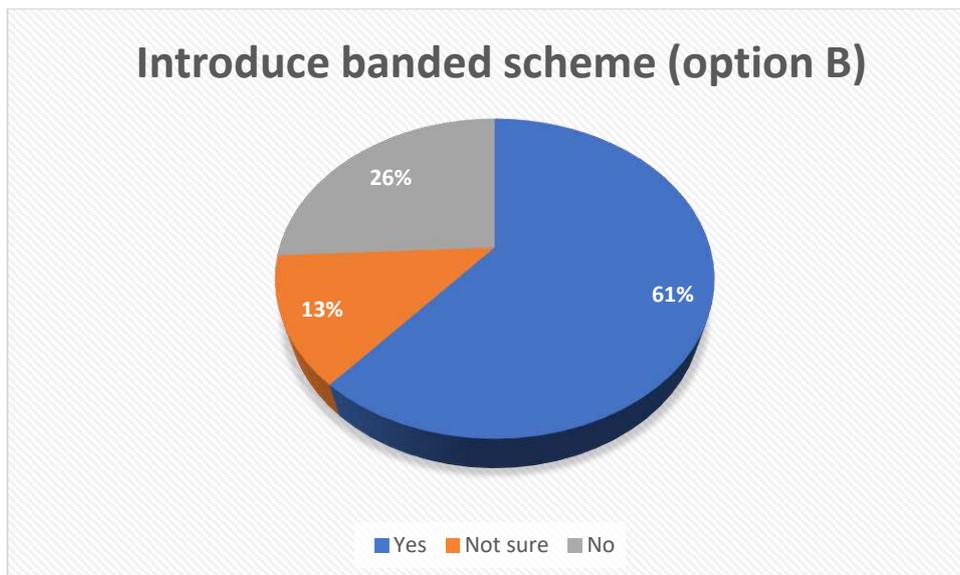
<b>Positive comments</b>
It should be higher, the time and cost to the Council for offering such low rewards will be significantly higher than this.
I received an award of 10p one month. This caused my council tax to be reassessed and my payments change not in time for my DD so fell another month behind.
Maybe make it £2.50 which virtually no one would miss, cautionary with children, and would raise some funds.
<b>Neutral comments</b>
Council tax benefit can be abused for the extra benefits people can receive from receiving it, for example added to PDSA vets. It's possible to claim council tax benefit at such a low rate just to get free/subsidised care etc, why should the Council pay out (even if it's a few pence here and there let household) just so claimants get cheaper get bills.
<b>Negative comments</b>
I have mixed feelings about this. Firstly, why would someone be claiming for a few pence per week, this seems ridiculous so in that regard I support it however, what is to stop you then increasing that to £2, £5, £10.... I mean if costly to administer in terms of staff time, then you could easily use that as a justification every time the minimum wage goes up.

Question 6: **Should the Council retain the existing taper?**



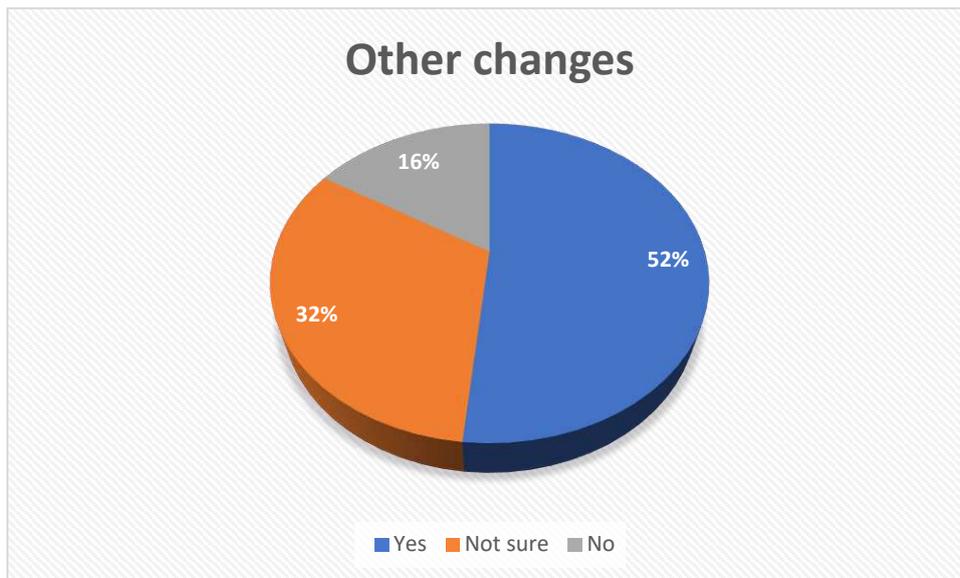
<b>Positive comments</b>
Sensible approach.
<b>Negative comments</b>
Why bother with these surveys when you'll just decide to do what you want anyway?
The banded option is no better. Ultimately the Council's problem here is with the way council tax is worked out. You operate on a weekly basis, whereas the government has decided that most people are paid monthly hence Universal Credit was designed around monthly payments and HMRC operates on a monthly/yearly basis. As a result, HMRC calculates benefits you are entitled to by an average of your income for a period, which depending on the job sector can be higher in one time and lower another, as a result they can in one calculation determine whether you are being overpaid or underpaid. The Council operating weekly creates more work for themselves by having to monitor how much someone is earning more regularly to calculate the council tax on a regular basis, despite working out the council tax (before any reductions/payments) for a year. Would it not be much easier to work for example on an average for a quarter and then calculate the reduction and whether there hasn't been enough or too much of one for the next quarter or the account for the next tax year.

Question 7: **Should the Council introduce a banded scheme?**



<b>Positive comments</b>
Good idea.
If someone's income increases by over £100 then surely, they can pay their council tax.
Again, seems a sensible approach.
I am currently 3 months behind with my council tax due to a job loss, my UC award changing each month which has an effect on my discount (this month they have included 2 months wages, so I got £0) with nothing to live on for December. Had to use the discretion fund twice recently.
<b>Neutral comments</b>
Yes, but not the 100%.
<b>Negative comments</b>
So, people who try and work a bit more to get out of a rut, get punished for it. That's a real clever idea. How about all the extra income SDDC receive from the countless new housing estates going up? Why isn't our council tax going down?
This doesn't resolve the problem only creates more work creating a system that effectively has the same problem where constant recalculations have to be made where pennies can alter what someone is paying. Realistically wages change based on hours worked and the tax paid on it, this is not something that changes in pennies for the majority of people.

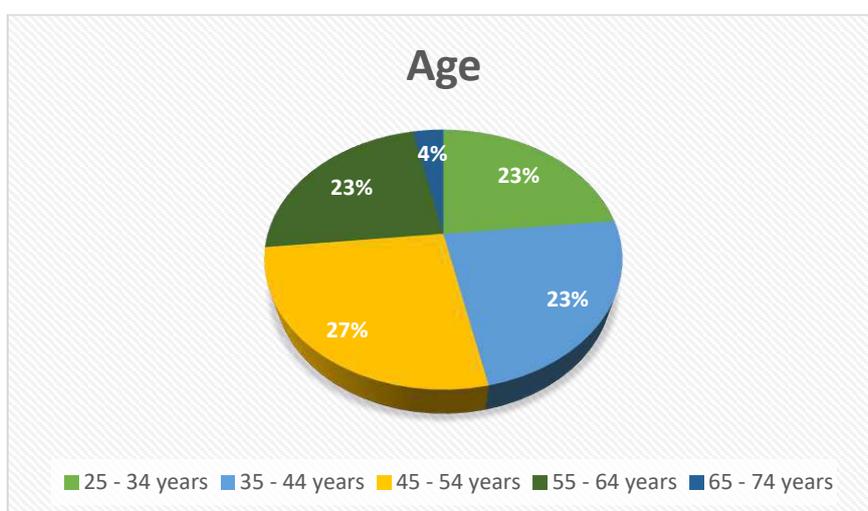
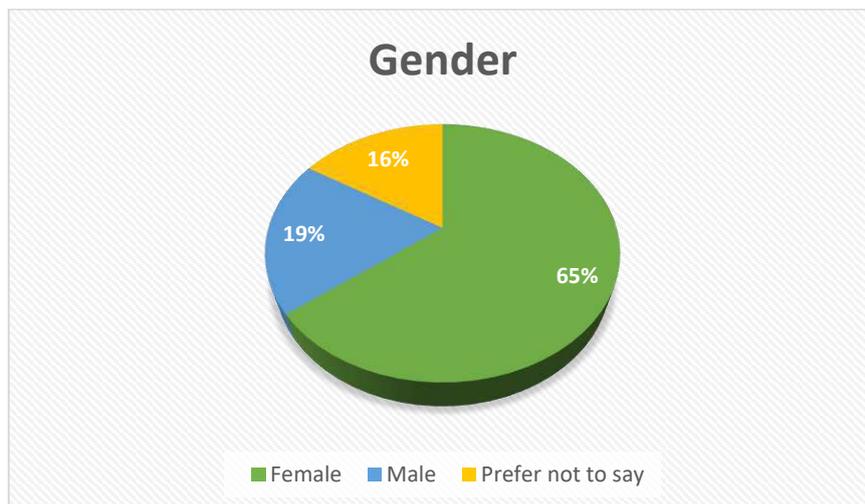
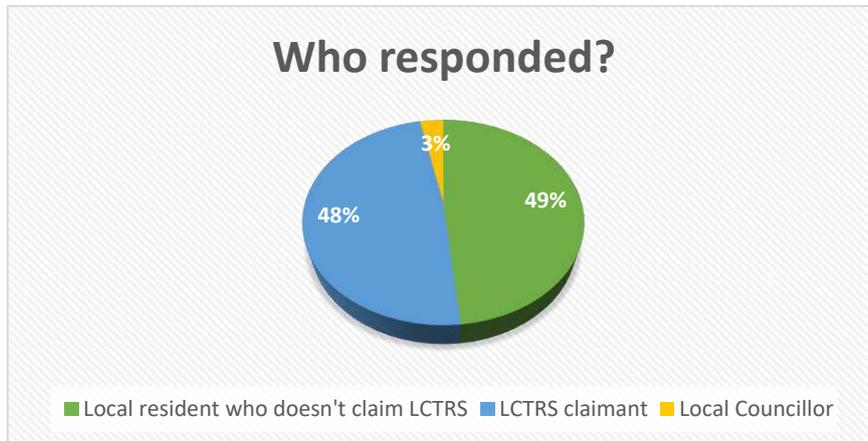
Question 8: **Should the Council bring the scheme into line with other welfare changes?**

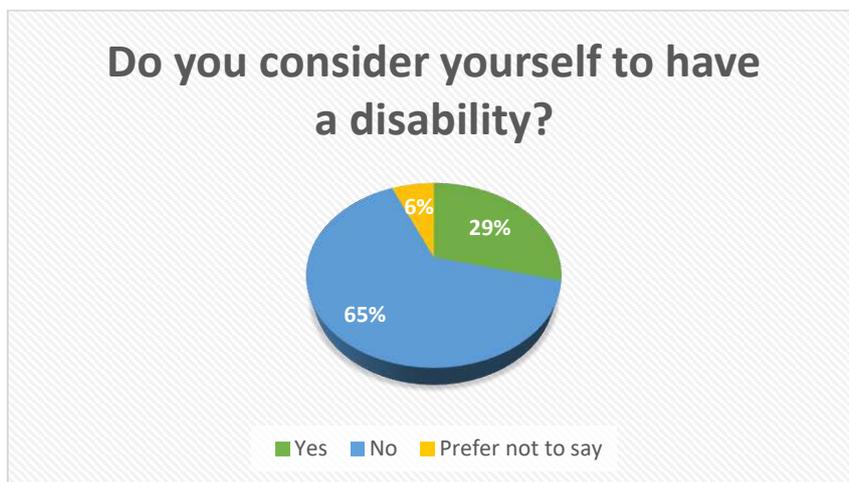


<b>Positive comments</b>
People's savings shouldn't be taken into account as usually they are saved to be able to live when times are hard. It's like making them pay for being conservative with their hard-earned money.
Appears fair and proportionate.
Two child limit - yes, having children is a choice, while nobody can control unexpected situations like being made redundant, there are people who keep having children to keep having benefits.
<b>Neutral comments</b>
I do not understand these planned changes.
The other things I am not really aware of or how they work.
<b>Negative comments</b>
Mixed Age Couples - NO, by this you are depriving what someone is entitled to by age for the sake of them being with someone younger, instead you should be calculating it as one of pension age (and the benefits there of) and one of earning age.

## About the respondents

4.32 The below graphs give you a summary of the make-up of residents who responded. A more in-depth analysis of respondents will be included in the report to committee on 10 February 2022.





**Timeline**

4.31 The proposed timeline is as follows:

<b>10 February 2022</b>	Final proposed scheme presented to F&M Committee for consideration and recommendation to Full Council.
<b>Underway</b>	New Council Tax Reduction Scheme Regulations developed.
<b>23 February 2022</b>	Final scheme considered and draft regulations considered and adopted by Full Council and parameters set on Council Tax billing system
<b>11 March 2022</b>	New regulations published no later than 11 March 2022.
<b>April 2022</b>	New scheme launched and reflected in 2022 – 2023 billing.

**5.0 Financial Implications**

5.1 In August 2021, the Committee approved a maximum spend of £10,000 on support services to develop the proposed LCTRS, to be funded from the Welfare Reform Reserve, including developing the models and any consultation activities. This budget is still considered sufficient and there are no further direct financial implications from consulting on draft LCTRS schemes.

5.2 The consultation will allow the Council to test the two potential models. Feedback on these will then be used to create a final desired scheme, based on which the full financial implications will be explored.

5.3 Both of the models proposed are likely to increase the cost of the scheme by approximately £100,000 - £120,000 per annum as shown overleaf:

<b>Change</b>	<b>Increase/ decrease in cost</b>	<b>Notes</b>
Remove baseline	+£125,000	
Implementation of banding	+£5,000	
Standardised non-dependents	-£20,000	£35k from reductions and £14k from increases
Remove Second Adult Rebate	-£10,000	
Minimum award	-£500	
<b>Sub total</b>	<b>£99,500</b>	
Proposed hardship fund	£20,000	Set aside for any unforeseen /major impacts on claimants

5.4 With regards to Council Tax Reduction Schemes, the cost of the support provided is borne by all precepting authorities in accordance with their share of the council tax collected by the Council. This is because the schemes mean the Council has to collect less council tax from fewer residents, so the cost of the scheme manifests as income forgone. As such, the £3m cost of the current scheme and any increase in cost of the new scheme, would be borne by all precepting authorities as follows:

- South Derbyshire District Council (9%)
- Derbyshire County Council (74%)
- Police (13%)
- Fire (4%)
- Parish councils

5.5 Both of the models proposed represent approximately a 4% increase to the overall costs of the scheme, which would need to be borne across any growth or change in caseload.

5.6 However, it should be noted that the additional cost is not material in proportion to the overall amount of council tax currently collected, i.e. £55 million per year. In addition, due to growth, the Collection Fund carries an annual surplus each year which is distributed amongst the preceptors. In practice, the additional cost will only reduce the surplus that is transferred as a 'bonus' each year to the preceptors. It is considered that the amount involved is immaterial to each of the preceptors.

5.7 If the banded scheme (Model 1) is chosen as the preferred model, it is worth noting that there will be further financial implications to the Council. These include:

- The banded scheme software costs £10,000 and banded scheme online forms that can help to further reduce administration can cost in the region of £8,000.
- Most councils increase their discretionary hardship fund to support the introduction of a banded scheme to provide financial additional assistance to anyone who faces undue hardship whilst the scheme is embedded. If the banded model is the preferred model, a recommended hardship fund amount will be included in the final report to committee. Any increase in cost to the hardship fund would be covered by the Council's Welfare Reform Fund.

5.8 Both schemes will deliver significant service efficiencies and help to generate time and resource savings in the long-term.

5.9 When the final model is presented to Finance & Management Committee for approval, it will clearly outline the direct and indirect financial impacts as well as model the scheme going forwards in order to test potential growth in caseloads.

## **6.0 Corporate Implications**

### **Employment implications**

6.1 There are no direct employment implications arising from the consultation on the proposals.

6.2 Any implications from any future proposals that arise from the consultation will be fully explored in the paper presented to Finance & Management Committee on 10 February 2022.

### **Legal implications**

6.3 None directly arising from the proposals in this report. Any changes to statutory or legislative requirements that impact on customers will be considered as part of the proposals.

### **Corporate Plan Implications**

6.4 The proposal will support the Council's Corporate Plan in the following ways:

- Encourage independent living and keep residents healthy and happy in their homes.
- Ensure consistency in the way the Council deals with its service users.
- Support unemployed residents back into work.
- Provide modern ways of working that support the Council to deliver services to meet changing needs.

### **Risk Impact**

6.5 Appropriate risk assessments will be completed on any proposed changes as part of the governance of the overall project.

## **7.0. Community Implications**

### **Consultation**

7.1 The community has been consulted on the proposals as detailed in this report.

7.2 There are no direct community impacts from consultation on the proposals of a proposed revised Local Council Tax Reduction Scheme (LCTRS).

### **Equality & Diversity and Social Value Impact**

7.3 The purpose of the consultation is to give customers, residents, Elected Members and stakeholders an opportunity to give feedback on the proposed schemes.

7.4 The changes that would be introduced through either of the two models have been assessed against the protected characteristic groups, as set out the Equalities Act.

<b>Protected characteristic</b>	<b>Comment</b>
<b>Age</b>	The schemes only apply to working age claimants and not to pensioners or children. The proposed models do not affect or alter the applicable ages.
<b>Sex</b>	The scheme/proposed models do not discriminate against people of any particular sex.
<b>Sexual orientation</b>	The scheme/proposed models do not discriminate against people of any particular sexual orientation.
<b>Gender reassignment</b>	The scheme/proposed models do not discriminate against people who have undergone gender reassignment.
<b>Race</b>	The scheme/proposed models do not discriminate against people based on their race.
<b>Gypsy and travellers</b>	The scheme/proposed models do not discriminate against gypsies or travellers, however the scheme provides a reduction on Council Tax payable, so anyone who does not pay Council Tax does not benefit.
<b>Religion or belief</b>	The scheme/proposed models do not discriminate against people based on their religion or belief.
<b>Marriage and civil partnership</b>	The scheme/proposed models do not discriminate against people based on their marital or civil partnership status. Civil partner are recognised as dependents.
<b>Disability</b>	Both proposed models disregard incomes awarded for disabilities and vulnerabilities and consider a household's circumstances before determining the excess income amount (for example disabled claimants).

7.5 An Equality Impact Assessment on the proposed models has been presented to the Equality, Diversity & Inclusion (EDI) Steering Group and is available at [www.southderbyshire.gov.uk/ctrschanges](http://www.southderbyshire.gov.uk/ctrschanges).

7.6 The Equality Impact Assessment will also be included in the final report to committee in relation to the chosen model.

## **8.0 Conclusions**

8.1 The report details how the Council is consulting on the proposed changes and the responses it has received to date.

## **9.0 Background Papers**

- Appendix 1 – Guide to proposed changes.