

# Report to the Cabinet



Epping Forest  
District Council

**Report reference:** C-025-2023/24  
**Date of meeting:** 13 November 2023

**Portfolio:** Finance and Economic Development Portfolio (Cllr John Philip)  
**Subject:** Local Council Tax Support Scheme 2024/25  
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## Recommendations/Decisions Required:

**(1) Recommendation;**

- a) The Cabinet approve the introduction of a new income banded / grid scheme for working age applicants with effect from 1 April 2024 to reduce the administrative burden placed on the Council since the introduction of Universal Credit and to target support to the lowest income families.
- b) That following the results of the consultation exercise the scheme proposed in a) above is amended to include Child Benefit as a disregarded income.

or

**(2) Recommendation;**

The Cabinet note that the Local Council Tax Support scheme for 2023/24 continues unchanged 2024/25 (see link under Background Papers).

## Executive Summary:

Council Tax Reduction (CTR) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:

- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
- Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
- Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention

regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.

The current Council Tax Reduction scheme administered by the Council is effectively divided into two, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.

Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.

When Council Tax Reduction was introduced in 2013, for working age applicants, the Council (together with the other Essex authorities) broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, currently the Council requires working age applicants to make a minimum payment of 25%.

The scheme also currently restricts the support to a maximum of Council Tax Band D. In effect applicants living in premises which are in Band E or above will have their reduction calculated on a Band D level only.

Since 2013 only slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit. These have been relatively minor and a more fundamental change is now required.

### **Reasons for Proposed Decision:**

The purpose of this report is to recommend that the Council approves the implementation of a revised Council Tax Reduction Scheme with effect from 1<sup>st</sup> April 2024.

Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.

Council Tax Reduction (CTR) was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year.

It is now essential that the Council make changes to the CTR scheme for working age applicants in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit and also to provide a scheme which is more supportive to those households on the lowest incomes.

The changes proposed affect only applicants who are of working age and the scheme for pension age applicants is not affected in any way. The rules for all pension age applicants are prescribed by Central Government.

This report recommends that the Council adopts a new scheme for working age applicants with effect from 1 April 2024 in respect of the 2024/25 financial year.

### **Other Options for Action:**

The alternative to introducing a new scheme for Council Tax Reduction from 2024/25 is to leave the existing scheme in place. This would be a short-term option; lead to continuation of increasing

costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

## **Report:**

### **The main issues with the current scheme**

- 1.1 There are a number of issues with the current scheme that will need addressing if the system is to continue to provide effective support to low-income taxpayers and also if the Council is able to provide the service in an efficient manner. The main issues are as follows:
  - The need to target the support available to low-income households and assist in:
    - The overall collection of Council Tax;
    - The introduction of Universal Credit for working age applicants; and
    - The need for a simplified scheme.
- 1.2 Each of the above are examined in detail below:

### **The need to assist low-income households and assist in the collection of Council Tax**

- 1.3 Since 2013, with the introduction of Council Tax Reduction most authorities, including the Council, have required all working age applicants to pay a minimum payment. In the case of Epping Forest this was set at 25% for most working age and support is limited to a maximum of a Band D Council Tax level.
- 1.4 The scheme also reduces the level of support where an applicant has non-dependant(s) residing with them.
- 1.5 There is a strong view within many authorities that more assistance should be provided to those households on the lowest of incomes. This view has gained momentum over the past few years but has been reinforced since the COVID-19 crisis and the cost-of-living crisis, both of which have had a major effect on incomes generally.

### **Council Tax Reduction and the roll out of Universal Credit**

- 1.6 The introduction of Universal Credit has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction and the collection of Council Tax generally. All Councils have experienced the following:
  - The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to a loss in entitlement;
  - A high number of changes to Universal Credit cases are received from the Department for Work and Pensions (DWP) requiring a change to Council Tax;
  - Reduction entitlement. On average 40% of Universal Credit claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays, and the demonstrable loss in collection; and
  - The increased costs of administration through multiple changes with significant additional staff and staff time being needed.
- 1.7 Clearly, the existing means tested Council Tax Reduction scheme, which is too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area and the increase in the number of Universal Credit claimants due to the rises.
- 1.8 It should also be noted that the DWP are also moving all existing Income Based Jobseeker's Allowance, Income Support and Tax Credit cases across to Universal Credit by

2024 with the remaining cases (Income Related Employment and Support Allowance) moving to Universal Credit by 2028. In effect, this move will increase the number of Universal Credit cases in the District by almost 30%.

- 1.9 The move to a new, future proofed, more efficient Council Tax Reduction scheme from 2024 is now imperative.

### **The need for a simplified approach to the Council Tax Reduction Scheme.**

- 1.10 Notwithstanding the effects of Universal Credit, the existing scheme is based on an 'old fashioned' means tested benefit scheme. It has major defects namely:
- It is complex for customers to understand and is based on a complex calculation of entitlement;
  - The administration for staff is complex, with staff having to request significant amounts of information from applicants;
  - Staff have to undergo significant training to be proficient in processing claims;
  - The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
  - The administration of the scheme is costly when compared to other discounts for Council Tax.
- 1.11 Clearly there is a need now to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the costs of administration.

### **The recommended approach for the 2024/25 Council Tax Reduction Scheme**

- 1.12 In view of the problems being experienced with the current scheme, it is recommended that a new approach be taken from 2024/25. The new approach fundamentally redesigns the scheme to address all of the issues highlighted and in particular;
- (a) The level of support available to the poorest households;
  - (b) The problems with the introduction of full-service Universal Credit; and
  - (c) The significant increase in administration costs due to the high level of changes received in respect of Universal Credit;
- 1.13 The new scheme has been completed and a full consultation has been completed with the public and the major precepting authorities in line with legislative requirements.
- 1.14 The responses from the major preceptors (County Council, the Police and Fire) are attached within Appendix A and an analysis of the public consultation (which concluded on 18th October 2023) is attached within Appendix B.
- 1.15 It should be noted that the Council has received favourable responses to the new approach following the public consultation, the majority of responses being positive in respect of all of the changes proposed. For information, 76% were in favour of introducing the new scheme with 15% against and 9% stating no preference. The one area of the proposed scheme that it is recommended in this report to revisit is the inclusion of Child Benefit as income, which is clearly unpopular according to the results of the consultation and has been raised by Citizens Advice too. According to our modelling of the proposed scheme, the exclusion of Child Benefit as income will cost approximately £90,000 and will result in a £60,000 uplift in the current LCTS expenditure, as the new scheme showed savings of around £30,000. The cost of the scheme is borne proportionately by the precepting authorities, which means the cost to the district council will be 8.1% in terms of a reduction in Band D Equivalents in the Council Tax Base for this authority. This is reflected in Recommendation 1 b).

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

1.17 The recommended new scheme has several key features as follows:

- The current means-tested schemes will be replaced by a simple income grid model as shown below:

Household Type	Weekly Net Income & Discount					
	A £0 to £100.00	B £100.01 to £175.00	C £175.01 to £250.00	D £250.01 to £325.00	E £325.01 to £400.00	F £400.01 +
Single - no child	75%	50%	25%	0%	0%	0%
Couple - no child	75%	50%	25%	0%	0%	0%
Single - 1 child	75%	75%	50%	25%	0%	0%
Couple - 1 child	75%	75%	50%	25%	0%	0%
Single - 2 children	75%	75%	75%	50%	25%	0%
Couple - 2 children	75%	75%	75%	50%	25%	0%
Severely Disabled	75%	75%	75%	75%	75%	0%

1.18 The following paragraphs provide more detail on the operation of the new scheme:

- (a) the highest level of discount will be at a maximum level of liability (75%), Band A, and all current applicants that are in receipt of a ‘\*passport benefit’ such as Income Support, Jobseeker’s Allowance (Income Based) and Employment and Support Allowance (Income Related) will receive maximum discount;
- (b) Where an applicant or partner would have, (but for this scheme), qualified for a Severe Disability Premium, discount will be awarded at 75% (subject to their income not exceeding £400 per week).
- (c) All other discount levels are based on the applicant’s and partner’s, (where they have one) net weekly income;
- (d) The Council Tax Band D maximum support level will be removed;
- (e) The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants;
- (f) There will be no charges made where an applicant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low-income families where adult sons and daughters for example remain at home;
- (g) To encourage work, a standard disregard of up to £20 per week will be provided against all earnings. This will take the place of the current standard disregards and additional earnings disregards. The current childcare disregards will remain in place;
- (h) Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- (i) Child Maintenance will be disregarded;
- (j) *Child Benefit will be disregarded subject to the approval of Recommendation 1 b).*

- (k) An amount in respect of the housing element, limited capability for work / work related element, childcare element, disabled child element. and carer's element within Universal Credit will be disregarded;
- (l) The total disregard on war pensions and war disablement pensions will continue; and
- (m) The capital limit of £6,000 with no tariff (or assumed income) being applied will remain. Any applicant who has capital above that level will not qualify.

### **How the new scheme will address the problems with the current Council Tax Reduction**

1.19 With the simplicity of the proposed new scheme and by taking a more 'Council Tax discount approach', it will address the problems associated with the increased administration caused by failings in the current scheme and Universal Credit (UC) as follows:

(a) **The scheme will require a simplified claiming process** - All applicants will see a significant reduction in the claiming process, including a simpler and shorter claim form. For Universal Credit applicants, any UC data received from the Department for Work & Pensions (DWP) will be processed automatically without the need to request further information from the taxpayer. These changes will have the following distinct advantages namely:

(i) **Speed of processing** – all claims will be able to be calculated promptly without the need to request further information which inevitably leads to delays;

(ii) **Maximising entitlement to every applicant** - the claim process will be simplified significantly. Entitlement to Council Tax Reduction will be maximised with a reduced risk of loss of discount or the need for backdating;

(iii) **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need to send further bills with multiple changes to instalments and therefore assist in maintaining the high collection rates currently achieved. The increased level of discount will assist all those applicants on the lowest levels of income, again improving the overall collection rate;

(b) **The income bands are sufficiently wide to avoid constant changes in discount.**

The current Council Tax Reduction 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 bills. The effect of this is that Council Tax collection is reduced. 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 Council Tax Reduction will not receive multiple Council Tax bills and adjustments to their instalments; 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.

### **Transition to the new scheme and the Exceptional Hardship Scheme**

1.20 In deciding on any new scheme, the Council must be mindful that any change in scheme or a transition to a new scheme may have result in a change to the entitlement of certain applicants. Inevitably, with any change in scheme, there will be winners and losers although

the proposed scheme has been designed to protect the most vulnerable. From modelling based on current values approximately 2,514 of applicants will receive either the same or more support and 555 will receive a reduced level of assistance. Should the recommendation 1 b) be accepted to disregard Child Benefit income then 2,692 gain or stay the same and 377 will receive a reduced level of assistance.

- 1.21 To mitigate this, the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. This is similar to the scheme currently in place. 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.
- 1.22 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 Council Tax Reduction Scheme and fall to be paid through the Collection Fund. Details of the Exceptional Hardship Scheme are provided in Appendix C.

### **Scrutiny Comments**

The draft Cabinet report was presented to Overview and Scrutiny Committee on 24 October 2023. The Committee were advised that an additional recommendation, to disregard Child Benefit as income in new scheme, would be included in the final report.

#### **The Committee**

- welcomed the simplified approach and acknowledged the new scheme would reduce the administrative burden, simplify the process and help people to enter the system.
- received confirmation that the armed forces disability allowance would be disregarded as income for the scheme, in line with other council policies.
- raised concerns about the percentage discount that would be available to single parent families but was assured that an Exceptional Hardship Fund would be in place to support those with worst impacted on a case by case basis
- were advised that the modelling used for the development of the scheme showed that with the revised recommendations on child benefit 88% of claimants would be the same or better off.
- suggested that an update on the outcomes of the new scheme should be included in the work programme for the next municipal year.

The Committee was supportive of the recommendations of the draft Cabinet report, endorsed the additional recommendation to disregard of Child Benefit as income for this scheme.

### **Resource Implications:**

The recommended scheme will provide a modern, more efficient scheme which will be more straightforward to administer for staff to administer.

### **Financial implications:**

The current Council Tax Reduction scheme costs approximately £6.8million, which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions. The cost to the Council for implementing a banding scheme have been factored into the Medium-Term Financial Plan.

District Council 8.1%  
County Council 72.4%  
Police and Crime Commissioner 11.7%  
Fire and Rescue Service 4%

Local preceptors will meet the remaining 3.8%.

Whilst the approach and 'shape' of the scheme is changing, the overall intention will be to provide targeted support to those households on the very lowest incomes.

There is no intention to reduce the level of support available to other households and based on current modelling, were the new scheme to be in place at the current time, the costs would be £6.8million.

Financial modelling has been and will continue to be undertaken throughout the remainder of the current financial year.

Whilst the expected costs of the scheme for 2024/25 will be slightly higher, the overall level of Council Tax Reduction as a proportion of the Council Tax Base has reduced year on year since 2013. The proposed changes for 2024/25 would still represent a significant reduction in the proportion of costs in real terms compared to the original Council Tax Reduction level:

	<b>2022 £m</b>	<b>2023 £m</b>	<b>2024 (est) £m</b>
Gross CT Liability	107.7	112.7	118.5
CTR	6.7	6.8	6.8
%age	6.2%	6.0%	5.7%

Council Tax Reduction now represents a significantly smaller percentage of the Council Tax base.

It is expected that the overall costs of the scheme in terms of its percentage of the gross liability will continue to reduce year on year from 2024 onwards.

### **Legal and Governance Implications:**

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

### **Safer, Cleaner and Greener Implications:**

N/A

### **Consultation:**

A full consultation has been undertaken in line with the statutory requirements. Each of the major preceptors have been asked for their input and their responses are included within Appendix A.

A full analysis of the public consultation is included within Appendix B and it should be noted that consultees overwhelmingly agreed with **all** of the proposed changes to the scheme.



**Background Papers:**

Link to Local Council Tax Support scheme 2023/24:

[\(Public Pack\)Agenda Document for Council, 28/02/2023 19:00 \(eppingforestdc.gov.uk\)](#)

**Risk Management:**

Text for any Risk Management Issues...

**Equality:**

The move to the new scheme will either have a neutral or positive affect to the majority of working age claimants. From initial modelling 2,514 applicants will receive the same or more support than under the previous scheme.

As with all changes however there will be up to 555 applicants who may receive less support than previous. In all such cases, further support will be available through the Council's Exceptional Hardship Fund.