

**Meeting:** EXECUTIVE

Portfolio Area: RESOURCES

**Date:** 6 October 2020

**TITLE OF REPORT: COUNCIL TAX SUPPORT SCHEME 2021/22**

Authors – Su Tarran Ext. 01279 502076

Contributor – Clare Fletcher Ext. 2933

Lead /Contact Officers – as above

**1 PURPOSE**

1.1 To propose a Council Tax Support scheme for 2021/22.

**2 RECOMMENDATIONS**

2.1 That Council be recommended to approve the 2021/22 CTS Scheme proposed within this report.

**3 BACKGROUND**

3.1 The Government made provision within the Local Government Finance Bill to replace the former national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for Council Tax Reduction Schemes (CTS) devised by individual local authorities (LA's). The schemes are valid for one year and must be approved by Council before the 11<sup>th</sup> March immediately preceding the financial year in which it is to take effect.

3.2 The Government require that major preceptors (County and Police) are consulted each year, and if there is any change to the scheme a full consultation open to all tax payers in the district is required. There is no specific timescale prescribed but the period must allow for meaningful consultation.

3.3 Additionally, consideration must be given to providing transitional protection where the support is to be reduced or removed. The financial impact of any decision on Council Tax Support also needs to be included when setting the budget and Council tax levels at the same time.

3.4 Since the introduction of CTS in April 2013 a number of changes to the scheme have been considered, but the scheme has remained the same. This means that CTS scheme for all working age claimants (WAC) will be

based on 91.5% of their council tax liability and that a WAC on maximum benefit will only have to pay 8.5% of their council tax bill.

3.5 The cost of the scheme is reflected in the tax base, in the same way as other discounts which reduce the collectable debit.

3.6 The history of Council Tax support scheme at Stevenage is detailed in Appendix A.

#### **4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

4.1 This report details the current position on Council Tax Support, and seeks support to continue the current scheme for 2021/22.

4.2 The CTS scheme for 2020/21 can be summarised as follows:

- That the CTS scheme for all working age claimants will be based on 91.5% of their council tax liability.;
- All local discretions currently in place continue e.g. war pension disregards;
- All other aspects of the Council Tax Support scheme mirror the previous Council Tax Benefit scheme.

4.3. The current CTS scheme works and protects the most vulnerable customers by the use of applicable amounts and income disregards. However the challenges and opportunities introduced by Universal Credit (UC) prompted a review of the structure of the scheme, but conclude that until the majority of claimants are in receipt of UC, any alternative would add further complexity.

4.4 **The impact, challenges and opportunities of Universal Credit.**  
Universal credit full service roll out took effect in this area in October 2018. This means that customers who would previously have applied for Housing Benefit (HB) and CTS are now applying for UC and CTS. The DWP's pilot of moving existing HB claimants on to UC from only achieved a small change in caseload and the DWP are reviewing and potentially re piloting a transition, before seeking government approval for further managed migration.

4.4.1 There are certain groups of HB claimant that will not, in the foreseeable future migrate to UC, as they are deemed too complex. This means that in addition to the pensioner case load there will be a residual working age caseload to manage.

4.4.2 There is therefore no information available currently to determine when this councils existing working age HB caseload will move to UC.

- 4.4.3 Customers claiming UC who apply for Council Tax Support do not require the Council to carry out means testing on their circumstances. They need only provide their UC entitlement letters (details of which can be confirmed through LA's access to the DWP systems). These claims are already means tested and have differential applicable amounts applied by the DWP, and the only income element that is needed for an award of CTS is earnings. Consideration has to be taken of any deductions being made for overpayments or recovery of advances, but these lend themselves to a simplified assessment and processing system, and could be incorporated into a discount scheme.
- 4.4.4 The reduction in new claims for HB might seem to reduce the services workload, however as the current scheme requires the same preparation and processing to award a CTS claim as an HB one, there is no saving. Currently claims or changes in circumstances are prepared and input and both awards (HB & CTS) are processed simultaneously. Claims not requiring an HB assessment simply produce one output (CTS award) rather than two.
- 4.4.5 UC claimants have to apply to the council for CTS entitlement. There is a common misunderstanding among claimants, who have not previously claimed benefit from the council, that it is all covered by their claim for UC. The council therefore often only gets to engage with these new customers when their council tax account is in arrears, and additional recovery action has to be taken. Clearly this is an additional administrative burden for the council, and costly for the customer.
- 4.4.6 Universal Credit is reassessed monthly, and those customers who are working (nationally this is estimated at more than 40%) are likely to experience variations in the UC entitlement each month. This is attributed to salary and wages frequencies affecting the 'monthly' assessments. Each time there is a change in the UC award, their entitlement to CTS has to be reassessed. Every time the CTS is reassessed, it produces a new Council Tax Bill. These constant changes in bills and amounts due are not only confusing to the customer trying to budget, but it also resets any recovery action being taken for non-payment.
- 4.4.7 The service has experienced a significant increase in workload from these monthly changes. They are received electronically from the DWP using an existing process called ATLAS.
- 4.5 Identifying and acknowledging these challenges from UC requires, any potential change to the CTS scheme to consider;
- 4.5.1 **The potential for automation of UC notices** on live CTS claims, thus reducing the new increased workflow. Progress has been made in the last year to automate increasing numbers of these changes, and work continues to include more types of changes into the automatic updates.
- 4.5.2 **Mitigations for changes in UC entitlements to revise council tax liability**, and thus avoid resetting recovery action. This could be achieved

if the CTS scheme set bands of entitlement, or fixed periods in which changes in income would not result in a change in entitlement, within the scope of a set range.

4.5.3 These options have the potential to be very expensive. The software supplier is estimating a cost in the region of £25k for each Council moving towards a banded CTS scheme. Herts County Council have previously declined to contribute to any costs associated with changing the scheme, despite being the biggest preceptor for Council Tax. Any changes to the scheme require full and meaningful consultation with all taxpayers in the district and there are significant costs associated with this level of consultation.

#### **4.6 Response to the challenges and opportunities of UC.**

Work has previously been carried out to develop a banded scheme for all working age claimants. This included modelling of current claimants into a banded scheme, to assess the impact and identify any unintended consequences.

4.6.1 As it is not currently possible to have a separate scheme for just UC cases, all current working age claimants would have to be included. After testing the data it was clear that the intended simplicity of a banded scheme would be compromised as the need to differentiate between all the many and varied disability premiums and incomes would require too many bands for each category of household, to ensure sufficient protection for these non UC groups.

4.6.2 In addition there would be all the costs of changing the scheme but no savings in administration, or increased simplicity for the customer.

#### **4.7 Conclusion in relation to Universal Credit.**

4.7.1 Whilst the number of monthly changes is increasing, the improvement in automation of these changes is balancing the demand for resources. It is still recommended therefore that a two stage approach be followed as we move forward. Firstly, instead of looking to change the current scheme in the short term, we continue to introduce more automation of UC change notices. Secondly, once actual caseload migration is timetabled, consideration of a banded scheme or a discount scheme is revisited.

#### **4.8 Other options that could be considered in redesigning a scheme**

4.8.1 There are a number of options that could be considered when redesigning the current scheme, although all revisions would affect working age customers only, given that pensioners have to be fully protected by our scheme.

- 4.8.2 The Government continues to make changes to the Housing Benefit regulations which are not currently mirrored in the CTS regulations. This means the schemes are no longer aligned. The frequency of changes to Housing Benefit and Universal Credit schemes, make it almost impossible to mirror these in the CTS scheme, not least of which because of the difference in timing. The Housing Benefit and Universal Credit schemes are changed when needed during the year, and the CTS scheme can only be revised annually.
- 4.8.3 Consideration was been given previously to align some of the more significant differences between Housing Benefit and Council Tax support but the financial implications across the caseload have been assessed as small, and the changes would have required a full consultation exercise, to achieve only a temporary alignment, and therefore these were not recommended by members.
- 4.8.4 In previous years, consideration was given to an income-band scheme which appeared to offer an opportunity to simplify entitlement criteria and the treatment of income and capital. This was driven by the imminent roll out of 'full service' Universal Credit, (impacting in Stevenage from October 2018) so there was a need to look to reduce the impact of monthly changes in universal credit on entitlement to CTS and Council tax collection.
- 4.8.5 Consideration has also previously been given to each of the following changes, but each relies on the basic scheme construction remaining the same and members did not recommend any of these.

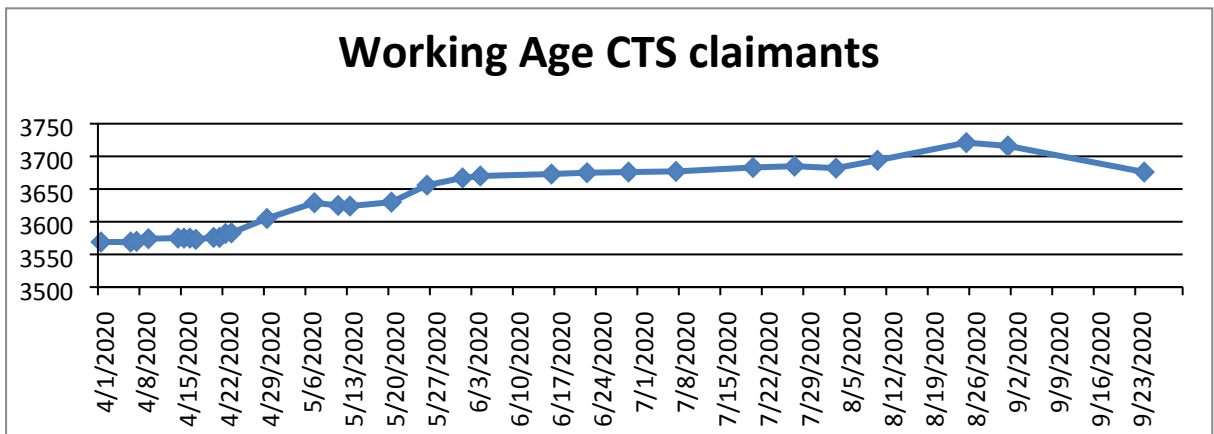
a) Changing the level of "minimum payment" for all working age customers

- I. The current scheme assumes that all working age customers are asked to pay at least something towards their Council Tax, and as described earlier the minimum payment is 8.5% of liability. The Council could consider making a change to that amount but in doing so, the full impact of that decision needs to be considered.
- II. If the Council chose to increase this minimum payment to say 10%, this does not mean a straight line reduction in the amount that the Council will spend out. For individuals already finding it difficult to pay at the current level, it can be seen that increasing this amount could increase their hardship levels further, especially as these customers are likely to be receiving other benefits, which have been affected by the on-going Welfare reforms.
- III. Given our latest information shows that the collection rate for those working age customers in receipt of CTS is already significantly lower than the overall rate, officers would need to consider adding further amounts to our bad debt provision in respect of potential non-collection of our debts. Having done some indicative modelling, we estimate that increasing the

minimum payment to 10% could result in a decrease in Council Tax spend of approximately £80k. This would be virtually wiped out by the need to increase bad debt provision. In addition with the potential increasing caseload as result of COVID-19 due to the end of the job retention scheme and business failures, they may exacerbate losses further and cause further hardship.

IV. Conversely, if we were to consider removing the 8.5% to be paid by the claimant, this would increase the cost of the scheme, particularly at a time when CTS caseload is increasing. SBC only pays 12% of the overall scheme with the County paying the largest share, but if COVID-19 significantly increases the caseload then this could have a significant impact on the taxbase and collectable council tax. The current scheme is one of the lowest in the Country. On current estimates, we believe the additional burden on the taxbase could be between £300k to £400k for all preceptors, as customers currently not entitled would also be eligible to apply.

V. The CTS caseload trend is summarised below.



b) Introducing a band cap (so limiting the amount that we would pay to a value of a lower property band, for example Band D)

In some Local Authorities, they have introduced a band cap where the scheme will only pay up to the equivalent of say a Band D property, even if you are in a higher banded property.

This could disproportionately affect those with a requirement for a larger property as they have children, other dependents due to caring responsibilities or a disability. These groups could already have been hit by other areas of Welfare reform including the Benefit Cap and the Spare Room subsidy limitation.

c) Introducing a minimum amount that would be paid out

Some Councils have introduced a minimum level at which they will support residents. An example is that you have to be entitled to at least

£5 a week to be supported. This means someone who is currently entitled to a lower amount, would not receive it, despite the fact that we have assessed them as currently requiring support. There are no real savings in terms of administrative costs because we would still have to undertake an assessment to find out that we wouldn't award. In addition, the fact that they are currently entitled to support indicates that they are financially vulnerable and the likelihood of being able to collect that additional amount from those residents is low. Therefore the potential reduction in costs overall is minimal and outweighed by an increase in bad debt provision and recovery costs.

d) Changes around discretions for Disability, Children and other Dependents

- I. This would change the nature of the scheme overall. Stevenage, when setting its original scheme were clear that all would contribute equally as the core scheme already differentiates preferentially to those with disabilities, children etc.
- II. Any complexity that is added to the way in which we calculate entitlement, will make the administration of the scheme both more complex for our officers to manage both in terms of calculation but more importantly, to explain to our residents.
- III. This would also mean that the general working age population may need to pick up an even greater share of the cost if the scheme is to remain affordable and equitable.

e) Other adjustments

There include; income tapers, non-dependent deductions, income disregards etc. but all carry the same risk to bad debt provisions, potential recovery costs and costs of administration. The more complex the scheme, the more difficult it is to comply with and customers' levels of understanding could be compromised.

4.9 What others are doing

- Some councils have moved to a banded scheme, but they still require substantial means testing of each claim.
- St Albans are with a different software supplier and have introducing a banded scheme for UC claimants only from April 2019, which will run alongside a scheme similar to our existing scheme for all other claimants. This is an interesting option which rather than dealing in % entitlements, specifies how much the customer will pay towards their Council Tax. This means customers on the same income pay the same towards their council tax,

regardless of the size of the property they occupy. This also provides a scheme for customers to transition into when migrated from HB.

- Unfortunately SBC cannot replicate a scheme like this currently as the Council are unable to have two different live working age CTS schemes at the same time.
- Other councils are considering various options but anecdotally are awaiting more information around migration before changing current schemes.

#### 4.10 Other considerations in addition to the impact of universal credit.

4.10.1 The impact of Covid -19 on the economy in the short, medium or long term is as yet unknown. However in previous years the cost of CTS on the taxbase has been reducing in real terms. This is demonstrated below, and has supported previous recommendations to retain the current scheme.

	Actual cost		Change
<b>2013/14</b>	£	6,605,773	
<b>2014/15</b>	£	6,137,922	-7.08%
<b>2015/16</b>	£	5,755,876	-6.22%
<b>2016/17</b>	£	5,683,162	-1.26%
<b>2017/18</b>	£	5,828,125	2.55%*
<b>2018/19</b>	£	5,935,167	1.84%**
<b>2019/20</b>	£	5,779,820	-2.6%

\* The Band D value of the 2017/18 taxbase increased by 4.5% on 2016/17,

\*\*The Band D value of the 2018/19 taxbase increased by 5.8% on 2017/18

4.10.2 This reduction has been achieved as a result of a reducing caseload. However for the first time since 2009, the case load for working age claimants has begun to rise (see 4.8.5 (v) above). This started during April 2020 as the lockdown impacted and has continued since. This may be symptomatic of the beginning of a recession as seen in 2008/09, where caseloads rose continuously for 5 years before reducing, or it may be a short term response to the lockdown and furlough arrangements.

4.10.3 The impact of this growth, although small at present needs to be considered for its impact on the taxbase and the proportion of the cost borne by Stevenage Council.

4.10.4 The taxbase for 2020/21 was calculated in October 2019, and assumed at that time a band D value of 3349.12. At 1 September 2020 the actual band D cost of Council Tax support was 3330, which is less than budgeted for.



- 4.10.5 Whilst the working age caseload has seen a modest rise in recent months, the elderly caseload continues to fall and is thus mitigating the impacts of this change.
- 4.10.6 The working age caseload levels are fluctuating, but have recently from the peak in August. In addition this impact has also partially been mitigated by the reducing elderly caseload. As at 24/9/2020 the combined caseload is 5806, compared to 5729 at 1 April 2020. If the net rate of growth of CTS continues at the same lower increase rate during the year, the outturn cost could be equivalent to 3,428 band d's. This equates to an additional c£144,000, of which SBC would contribute c£17,000 being 11.79%, in accordance with the precept share. If this modest increase occurs it outweighs the impact of revising the scheme.
- 4.10.7 It is perhaps not unreasonable to expect a spike when the furlough scheme becomes less generous and again when it is withdrawn, although the impact or duration of these potential outcomes is unknown. Changes in caseload are monitored monthly or more frequently so any trend would be promptly identified.
- 4.10.8 The taxbase is also impacted by other variables, and changes in anyone of them can impact on its ability to generate the expected income levels on which the budget is set. The Covid-19 pandemic may also have a dampening effect on new builds coming into the taxbase which will further reduce its income raising capacity.
- 4.11 The impact of other factors on the ability to pay.
- 4.11.1 Many customers now claiming CTS have been affected by other factors. Not only do they find themselves with debts to their council and landlord that were previously paid for them, but their ability to pay the debts is diminished. This is demonstrated in the Council Tax collection rates. The overall in-year collection rate for all working age CTS customers was 74.04% 2019/20. In contrast to the all tax payers in-year collection rate of 96%.
- 4.11.2 The actual cost per week of Council Tax for those customers required to pay the minimum 8.5% contribution is demonstrated below.

2020/21	BEFORE OTHER DISCOUNTS ( e.g single person)			
	BAND	Annual full charge	8.5% Weekly charge	8.5% Per annum
	A	£ 1,218.51	£1.99	£103.57
	B	£ 1,421.60	£2.32	£120.84
	C	£ 1,624.69	£2.65	£138.10

2020/21	BEFORE OTHER DISCOUNTS ( e.g single person)		
D	£ 1,827.77	£2.98	£155.36
E	£ 2,233.94	£3.64	£189.88
F	£ 2,640.11	£4.30	£224.41
G	£ 3,046.28	£4.97	£258.93
H	£ 3,655.54	£5.96	£310.72

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 As detailed in the report.

### **5.2 Legal Implications**

5.2.1 As detailed in the report

### **5.3 Equalities and Diversity Implications**

5.3.1 An Equality Impact Assessment will be undertaken if there are proposals to amend the Council Tax support scheme.

### **5.4 Risk Implications**

5.4.1 As detailed in the report

### **5.5 Policy Implications**

5.5.1 As detailed in the report

## **BACKGROUND PAPERS**

None.

## **APPENDICES**

A The history of Council Tax Support (CTS)

## **GLOSSARY**

IS	Income support
JSA (IB)	Job seekers allowance (Income based)
UC	Universal Credit
PC	Pension credit
GC	Guaranteed credit
SC	Savings credit
ESA (IR)	Employment support allowance (Income related)

## **Appendix A The history of Council Tax Support (CTS)**

### **1. The history of Council Tax Support (CTS)**

- 1.1 Before April 2013, local authorities (LA) administered Council Tax Benefit on behalf of the Government. This national scheme was specified in legislation and LA's were reimbursed by the Department of Work and Pensions (DWP) through a subsidy claim submitted annually and subject to audit.
- 1.2 The level of subsidy reimbursement varied dependant on whether benefit had been awarded, backdated or overpaid, but the point to note is that entitlement and subsidy were based on assessing entitlement on 100% of somebodies council tax liability, net of discounts (like a single person discount).
- 1.3 The scheme was means tested and whilst the scheme differentiated between different client groups (providing extra support for disabled groups for example) there was little differential between Elderly and Working Age clients.
- 1.4 Clients fell into one of two groups, "passport" and "standard claims." A passported claim was one in which the DWP had already carried out a means test and then notified the council that the customers income was at or below the minimum income level for their household composition. They would be automatically entitled to 100% of their Council Tax to be paid by Council Tax Benefit. A deduction would however be made from this entitlement where there were non dependants living in the home.
- 1.5 The second group were called 'standard claims'. These customers had their means testing done by the council and awarded Council Tax benefit in accordance with the national scheme criteria. These customers had income above the minimum requirements and would be required to pay something towards their council tax liability. A deduction would also be made from this entitlement where there were non dependants living in the home.
- 1.6 In very simple terms entitlement was determined by comparing eligible incomes against relevant applicable amounts. When income equalled or fell below applicable amounts, the maximum entitlement is achieved. If income exceeded applicable amounts, entitlement was reduced by 20% of the excess. The applicable amounts were determined by the DWP in respect of Housing Benefit claims.
- 1.7 In more complex terms, every income and capital source had to be assessed in accordance with its type, and then determined if it was included in the assessment. Child benefit, maintenance paid to a child, PiP and DLA, war pensions etc were fully disregarded, whilst earned income was calculated after tax & NI, and 50% of pension contributions, averaged over the relevant period. Payments to certain child care

providers were disregarded, whilst capital (excluding the property occupied) included savings, shares etc and if the total exceeded £16k, the customer was excluded from entitlement.

1.8 In very general terms the full expenditure on the scheme was reimbursed by the DWP.

## **2 The impact of changes from 1<sup>st</sup> April 2013**

2.1 The national scheme for Council Tax Benefit ceased, and Councils had to devise their own Council Tax Reduction Schemes for working age claimants. The Government continues to specify the scheme for Elderly customers through prescribed regulations.

2.2 Instead of the scheme being funded through a subsidy claim based on actual expenditure, the Government moved the funding into the Revenue Support Grant (RSG) settlement, fixing it at only 90% of the subsidy paid in a previous year. RSG was the amount of grant that Government gave to Councils to support their wider service delivery, and made up one part of the income of the Council in addition to Council Tax receipts, fees and charges and an element of Business rate collection. However the move away from RSG makes this funding element less obvious.

2.3 Each Council had to consider how to fund 100% of the cost of the Elderly 'national' scheme and provide a Working age scheme, whilst receiving 10% less funding.

2.4 Elderly (Pensioner) claimants are protected from changes through the provision of a statutory scheme.

2.5 Schemes must support work incentives.

2.6 The DCLG Policy Statement of Intent did not give a recommended approach to be taken, but indicated the scheme should not contain features which create dis-incentives to find employment. The current Stevenage scheme complies with this statement.

2.7 Local authorities must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.

2.8 The DCLG issued Policy Statements that addressed a range of issues including the following:

- Vulnerable People and Key Local Authority Duties;
- Taking work incentives into account;

- Information Sharing and Powers to Tackle Fraud.

2.9 The Local Government Finance Bill stated that a Billing Authority must have regard to any guidance issued by the Secretary of State. The current scheme has sought to address these requirements.

### 3 Stevenage’s Council Tax Reduction Scheme (CTS)

3.1 The Council initially devised a scheme which replicated the previous national scheme but limited the Council Tax liability that was used to assess entitlement to 90% for working age customers. The Government offered a one off transitional grant to Councils who would restrict the reduction to 91.5%, and accordingly the Council amended the proposal and took the one off transitional grant. The Council has maintained this position for the first 8 years of the scheme.

3.2 From 2014/15 the 90% grant that was included in the RSG was no longer individually identifiable. Therefore calculating the total cost of the scheme i.e. the cost of the CTS scheme versus the CTS grant given by Government is now impossible.

3.3 The caseload for CTS indicates that the proportion of working age customers compared to pensioners is changing over time very slightly. At 1.4.19 the proportion of Working Age customers has reduced slightly against the proportion of Elderly customers for the first time. This may be attributed to new working age claimants claiming UC. The number of Elderly claimants has however also fallen since 1.4.2018.

Table 1: Proportion of Working Age and Elderly claimants

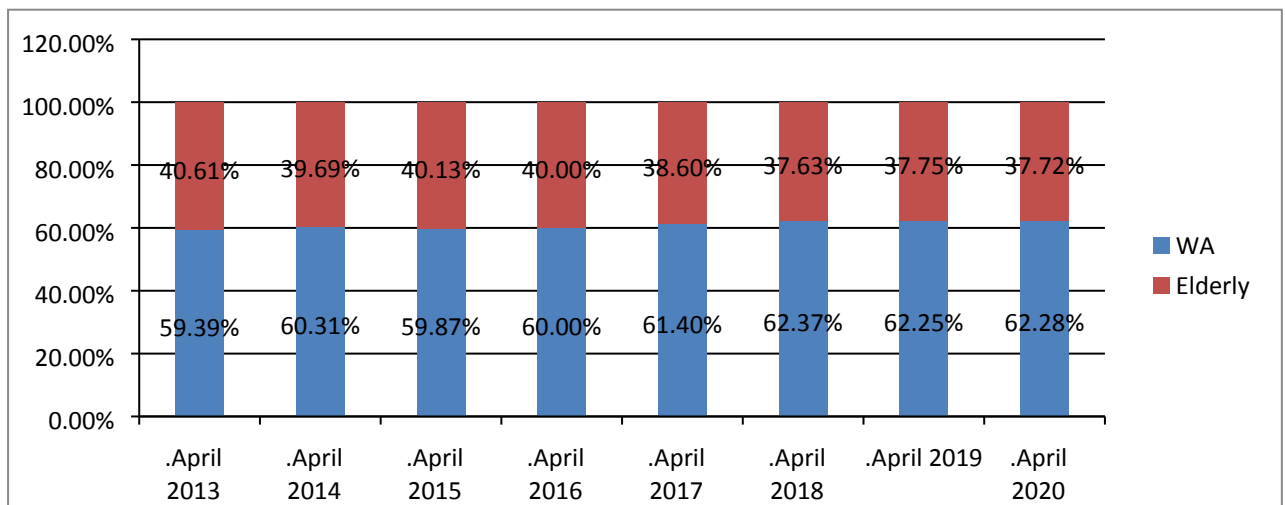
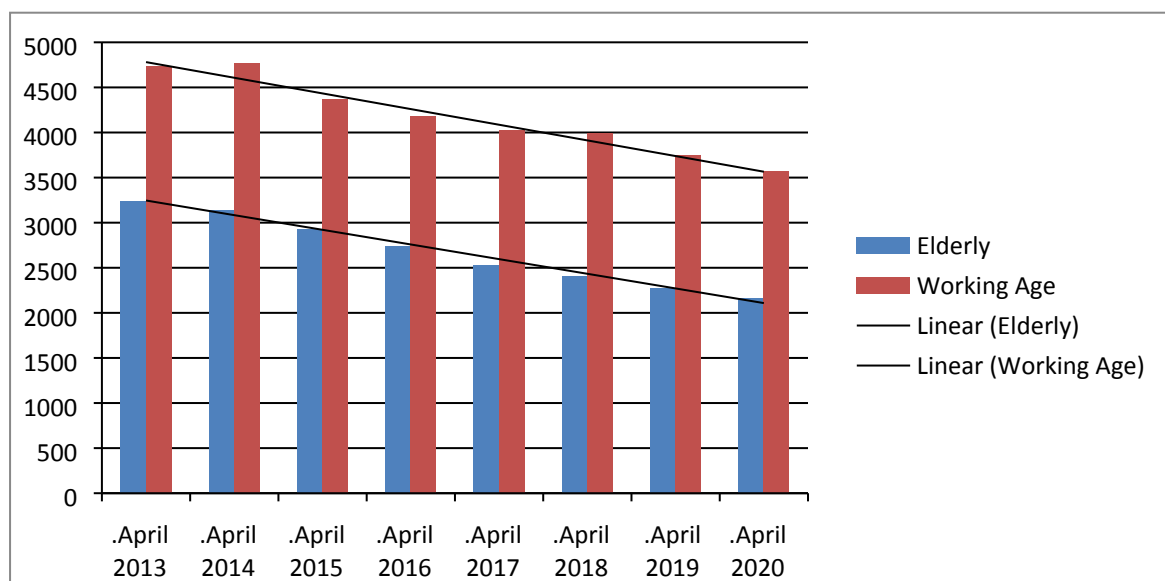


Table 2: Caseload Working Age and Elderly claims



3.4 Before the introduction of CTS there had been a number of years of constant case load increases, the caseload has since stabilised and reduced, alongside a growing taxbase due to new developments in the area. The impact on the cost of the scheme is demonstrated below.

	Actual cost	Change
<b>2013/14</b>	£6,605,773	
<b>2014/15</b>	£6,137,922	-7.08%
<b>2015/16</b>	£5,755,876	-6.22%
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<b>2018/19</b>	£5,935,167	1.84%**
<b>2019/20</b>	£5,779,820	-2.60%

\* The Band D value of the 2017/18 taxbase increased by 4.5% on 2016/17,

\*\*The Band D value of the 2018/19 taxbase increased by 5.8% on 2017/18

3.5 What is certain however is that the level of spend on CTS has continued to reduce in real terms, mitigating in part the impact of overall reductions in income to the Council.

3.6 A large proportion of customers affected by the introduction of the CTS scheme had not previously had to pay anything towards their Council Tax bill. If they had been 'passport' under the Council Tax Benefit scheme their liability would have been discharged in full by a credit transfer onto their Council Tax account. Under the new arrangements all working age customer have to pay at least 8.5% towards their bill.

- 3.7 A publication (*Public Finance March 2019*) commented that in 2013-14 CTS schemes nationally provided 14% less support to working age households than the old national scheme, and that by 2018-19 it provided 24% less. Stevenage has maintained its scheme at 8.5% during this period.
- 3.8 It continues to be a challenge to support and educate these customers into a regular payment arrangement. We have;
- Offered flexible repayment options,
  - Given more time to pay,
  - Worked on a project with the Citizens advice Bureau to support customers with repeated arrears,
  - Promoted other debt and advice agencies.
- 3.9 The in-year collection rate for working age claimants who had only the minimum 8.5% liability to pay was 62.9% in 2014/15 and 69.67% for 2019/20.
- 3.10 The overall in-year collection rate for all working age CTS customers was 70.7% in 2014/15, and 74.04% in 2019/20. In contrast to the all tax payers in-year collection rate, which for 2014/15 was 96%, and 96% in 2019/20.
- 3.11 Many of these same customers have been affected by other welfare reforms introduced ;
- the spare room subsidy scheme
  - the new Benefit CAP,
  - Reviews of disability benefits etc.
- Many families find that they have increasing debts with their councils and landlords for bills that were previously paid for them.
- 3.12 We make assumptions in respect of the level of non-payment of Council Tax when determining the tax base, alongside assumptions over each of the variable elements of its composition. The in-year collection for all Council Tax payers was 96% in 2019/20, but this was dampened by only 74.04% collected from those working age customers in receipt of CTS. Those customers who under the old scheme would have not paid anything towards their council tax (passported customers) paid only 74.04%
- 3.13 The liability not paid in-year becomes arrears on which a bad debt provision has to be established, which is a further cost to the council. Where the outturn taxbase exceeds the estimated performance it generates a surplus on the collection fund, and conversely when the taxbase does not achieve its expected performance because of negative variations in the component elements, the collection fund would be in deficit. The Council is required to make precept payments during the year regardless of any in-year variations.
- 3.14 In recognition of the fact that the additional Council Tax liability is more difficult to collect, a collection rate of 98.25% has been assumed.

3.15 Currently (2020/21) 77.37% of the tax base income is precepted by County and Council and 10.84% by the Police, and accordingly they have a vested interest in the value of the CTS scheme as it directly impacts on their ability to raise funds. The lower the cost of the scheme, the higher the tax base on which they can precept.