

Report to: **Hub Committee**
Date: **11 September 2018**
Title: **Council Tax Reduction Scheme 2019/20**
Portfolio Area: **Health and Wellbeing – Cllr Leech**

Wards Affected: **all**

Relevant Scrutiny Committee: **Overview & Scrutiny Internal**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:
(e.g. referral on of recommendation or
implementation of substantive decision)

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Recommendations:

That the Hub Committee:

1. Approves the proposal to consult on Option1 (as outlined in Section 4) on a banded scheme which will assess the maximum level of Council Tax Reduction based on the net income of the claimant and partner; and
2. Requests that the results of the consultation exercise be presented back to the Hub Committee prior to a revised Scheme being considered for approval by the Council.

1. Executive summary

- 1.1 It is an annual requirement for Councils to revisit their existing council tax support scheme and make a decision as to whether to replace or revise it.
- 1.2 In order to make changes to our scheme for 2019/20 we are required by law to:
 - Consult with the major precepting authorities
 - Consult with other persons as it considers are likely to have an interest in the operation of the scheme.
- 1.3 The final Council Tax Reduction Scheme must be adopted by Full Council by the 31st January 2019, and cannot be delegated to an Officer or Committee.

2 Background

- 2.1 Council Tax Support (CTS also known as Council Tax Reduction - CTR) was introduced in April 2013 and replaced the national Council Tax Benefit Scheme, with a 10% funding reduction. The CTR scheme for working-age customers is a local scheme, however the scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally. Therefore any savings to the scheme must come from working age customers.
- 2.2 Local Schemes must take account of and:
 - Support work incentives and in particular avoid disincentives for those moving into work
 - Our duties to protect vulnerable people (these duties already exist under the Equality Act 2010, The Care Act 2014, Child Poverty Act 2010, The Housing Act 1996)
 - The Armed Forces Covenant.

3 The Current Scheme

- 3.1 The working age scheme adopted by this council in 2014 retained the main elements of the former council tax benefit scheme but with the following;
 - Liability limit (maximum support) of 80%. This means that everyone pays at least the 20% of their Council Tax.
 - Limiting CTR to a Band D Council Tax charge. This means that customers living in a home with a Council Tax band greater than D must pay the additional charge.
 - No second adult reduction
 - A vulnerability/hardship fund to provide additional financial help.

- 3.2 Retaining the core elements of the Council Tax Benefit scheme, means that we have preserved the means test in its current form, together with the protections and work incentives that have been refined over many years. This means that our scheme allows for the annual uprating's such as; living allowances, permitted earnings and non-dependant deductions in-line with the relevant regulations.
- 3.3 The scheme adopted by this Council also took account of the outcomes following previous public consultation.
- 3.4 Since the start of CTR there have been a number of legal challenges to Billing Authorities schemes. Most of these challenges have been made against the consultation process and whether due regard was given to the equality impact assessment when making changes to the scheme. A Supreme Court ruling in 2014 – [*R \(Moseley\) v London Borough of Haringey*](#) has meant that consultation on changes to Council Tax Reduction schemes must also include an option on how the current scheme could be retained on the same level of funding.
- 3.5 Since 2013/14 funding for Council Tax Reduction has been included within the overall local government funding grant. The Authority therefore decides how much funding is available to support the Council Tax Reduction scheme.
- 3.6 The aim of the local scheme was for it to be 'cost neutral'. By this we mean that the level of Government grant would equal forecasted Council Tax Reduction expenditure for 2019/20
- 3.7 The following table sets out the annual expenditure and caseload:

	Total caseload	Working age caseload	Pension age caseload	Working age expenditure £	Pension age expenditure £	Total West Devon BC expenditure £
April 14	3,805	1,817	1,988	1,371,905	1,997,878	3,369,783
April 15	3,732	1,801	1,931	1,344,328	1,932,119	3,276,447
April 16	3,482	1,683	1,799	1,283,718	1,830,880	3,114,598
April 17	3,438	1,690	1,748	1,375,750	1,871,267	3,247,017
April 18	3,421	1,727	1,694	1,451,567	1,905,121	3,356,688

- 3.8 The slight increase in expenditure is mainly due to the level of increase in council tax for 2018/19.
- 3.9 Over the four years from 2016/17 to 2019/20, the Council's Government funding (Settlement Funding Assessment – SFA) received from Central Government will be reduced by 37% over the four years.

- 3.10 Our current scheme has served its purpose, but it is a very complex and confusing scheme and with Universal Credit about to be rolled out fully in West Devon it will quickly become not fit for purpose due to the high volumes of changes that Universal Credit creates. A banded scheme will resolve this it will also be much simpler for the claimant to understand, they will be able to look at the grid and instantly work out which band they fall into and how much council tax reduction they will receive, reducing failure demand. It will also be much easier and quicker to administer, reducing the amount of queries and phone calls.

4. **Proposed Way Forward**

Option 1 – banded scheme – This is an example of how a banded scheme could look.

- 4.1 To keep the scheme simple where a customer receives a passported benefit, such as Income Support, Jobseekers Allowance (IB) or Employment and Support Allowance (IR) they will automatically receive maximum support by being placed in the top band of the scheme.

Therefore the income bands that will be used in the schemes are as follows:-

Council Tax Reduction Level	Pass ported	Single Income Band £	Couples' Income Band £	Family with one child £	Family with two or more children + Disabled £
Band 1 – 100%	Relevant Benefit	N/A	N/A	N/A	N/A
Band 2 - 80%	N/A	0.00 to 110.00 weekly	0.00 to 160.00 weekly	0.00 – 210.00 weekly	0.00 – 260.00 weekly
Band 3 - 60%	N/A	110.01 - 160.00 weekly	160.01 – 210.00 weekly	210.01 – 260.00 weekly	260.01 – 300.00 weekly
Band 4 - 40%	N/A	160.01 - 220.00 weekly	210.01 – 270.00 weekly	260.01 – 320.00 weekly	300.01 – 370.00 weekly
Band 5 – 25%	N/A	220.01 – 290.00 weekly	270.01 – 340.00 weekly	320.00 – 390.00 weekly	370.01 – 440.00 weekly

Main features:-

In this scheme as part of our ongoing commitment to support disabled people we will continue to disregard Disability Living Allowance, Personal Independence Payments and War Disablement Benefits for the income

used in the assessment of Council Tax Reduction and we will continue to disregard Child Benefit and Child Maintenance Payments.

Working-age households will receive a % discount, depending on their level of income, the income bands are set out as above. The higher end of the band limit is increased depending on the size of the household. The rates have been based on the increases to personal allowances premiums in the current means tested scheme.

The following is a summary of the main elements of our proposed working age Council Tax Reduction Scheme:-

- Working-age people will receive a % discount of either 100%, 80%, 40% or 25%, depending on the level of income and the oncome band they fall into.
- Anyone with savings of £10,000 or more will not qualify.
- Those in receipt of Income Support, Jobseekers Allowance (income-based) Employment Support Allowance (income-related) will automatically be placed into Band A (i.e. 100% reduction)
- Net earnings will be taken into account when calculating Council Tax Reduction.
- Application for Council Tax Reduction will be made online or through notification of an award to Income Support, Jobseekers Allowance (income-based), Employment and Support Allowance (income-related) and Universal Credit.
- Income from Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance and War Disablement Benefits will continue to be disregarded when calculating Council Tax Reduction.
- To support incentives to work, we will retain the earnings disregard of £5.00 for single people, £10.00 for couples and £20.00 for lone parents, this is the amount of earnings not taken into account.
- To support incentives to work for those that work over 16 hours we will retain the weekly childcare disregard which will be applied to earnings of up to £175.00 for one child and £300 for two or more. (A disregard is an amount of earnings not taken into account in the calculation of net earnings).
- Universal Credit – Where the Universal Credit payment is worked out based on wages, we will still take the wages into account after taking the relevant earnings disregard. We will then add them to the Universal Credit payment to work out what band to use to calculate the Council Tax Reduction.
- Deductions taken from Universal Credit by the Department for Works and Pensions (DWP) will not be removed.
- The housing cost element of Universal Credit will be ignored.
- Introduce a Minimum Income Floor (MIF) for self-employed after a 12 month start-up period. Linked to National Living wage (£7.83) or National Minimum wage (£7.38 or £5.90 depending on age).

- Applications from joint tenants will be assessed on their share of the liability.
- No non-dependant deductions to be applied for any non-dependant. (This is where you have someone else living in your home who is not dependant on you).
- Backdating is limited to six months and assessed on whether there is good cause to do this.
- Payment of Council Tax Reduction would only be made if it is over £1 per week.

Pension age people are not affected by this change and they will continue to have council tax reduction assessed in the same way through the Governments Council Tax Reduction default scheme.

- 4.2 Through regulations, government set the allowances (applicable amounts), premiums and non-dependant deductions to be used when calculating whether a person of pension age is entitled to Council Tax Reduction. These amounts are uprated by government on an annual basis (not yet available for 2019/20) to reflect increase in cost of living.
- 4.3 If the draft scheme is approved then the aim is to complete a public consultation. The consultation is likely to take place between September and November.
- 4.4 Once the outcome of the consultation is known the results will be analysed and presented to Members with the proposed way forward, for a final decision on the 2019/20 scheme.

Option 2 – Amend current scheme

- 4.5 In 2019/20 we are predicting a significant increase in our council tax reduction workload as a result of Universal Credit. In order to reduce the impact on performance, collection rates, correspondence, re-billing and recovery we could look to introduce a tolerance figure, whereby we don't amend a person's income unless it is under or over a set amount.
- 4.6 This would slightly reduce the amount of administration work, but it wouldn't reduce the scheme expenditure, staff costs, customer queries, phone calls, and collection rates for working age claimants will reduce further once Universal Credit is fully rolled out.

Option 3 – Do nothing for 2019/20 and work with the other Devon Councils in developing a new scheme for 2020/2021.

- 4.7 West Devon and South Hams are the only two councils within Devon that are looking to introduce a new scheme in 2019/20.
- 4.8 We could stay with our current scheme for 2019/20 and work with the rest of Devon in developing a new scheme for 2020/21.
- 4.9 This option will have the same impact as option 2 without the reduction in administration.

5. Supporting Information

- 5.1 For 2017/18 the Council for working age people in receipt of council tax reduction had a net liability debt of £687,808 of which we managed to collect just 77.24%, there are also just over £18,000 worth of costs still uncollected, these are summons costs that have been applied to accounts in order for the authority to apply for a liability order to be able to take further action in recovery of unpaid council tax, this highlights the financial burden on some of our most vulnerable residents.
- 5.2 We assess and pay council tax reduction to 3,421 households, of these 1,694 are people of pension age and 1,727 are people of working age.
- 5.3 Council tax reduction caseloads have reduced in West Devon since 2013/14 and the cost for our 2017/18 scheme was £3,356,688, the modelling shows that the banded scheme (as shown above) would cost £3,344,103.
- 5.4 All these costs are estimates at the moment as we will need to do much more modelling and testing, the next report will have much more in depth detail and costings.
- 5.5 Our approach to amending the council tax reduction scheme continues to support the Council's local policy priorities, in particular:-
- Reducing inequalities by protecting the most vulnerable people in our authority; as we continue to disregard child benefit, Disability Living Allowance and war pensions.
 - Supporting work incentives by increasing the weekly amount a person or couple can earn before their income is used in the assessment of council tax reduction.
- 5.6 The majority of the 1,727 claims will be impacted positively by the new banding scheme with only a very small % of claims losing small amounts of council tax reduction.
- 5.7 The scheme will be far simpler for the claimant to understand, therefore less customer queries and calls, we won't be verifying information so this will reduce staff assessing time and speed up processing times.
- 5.8 The costs to administer the scheme should reduce significantly, but both Councils would have to agree to the banding scheme to realise all the efficiencies.

6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal/Governance	Y	The relevant powers for this report are contained within the following legislation; Clause 34 of the Welfare Reform Bill provides for

		the abolition of Council Tax Benefit from 31 st March 2013 and introduces the Local Council Tax Support Schemes to be administered by Local Authorities
Financial	Y	The Government funding (Settlement funding assessment - SFA) received from Central Government will be reduced by 37% over the four years. Council Tax Reduction funding is included within the SFA. The scheme is designed to be cost neutral and covers the shortfall in funding of over £0.5 million.
Risks	<p>Agreement on scheme</p> <p>Financial</p>	<p>Failure to agree a scheme by 31st January 2019.</p> <p>Detrimental impact on collection rates</p> <p>Business case in place with all preceptors agreeing financial support to fund extra resource to undertake early intervention and money advice.</p> <p>Future funding reductions could mean that the proposed scheme will not remain fit for purpose</p> <p>Annual review and close monitoring of announcements and national forums</p> <p>Impact on wider economy and most vulnerable</p> <p>Business case in place with all preceptors agreeing financial support to provide Exceptional Hardship Fund to assist those in extreme financial need.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	Y	An equality impact assessment hasn't been completed yet, this will be done once we know the scheme.
Safeguarding	Y	Changes to a Banded scheme could be seen to have a positive impact on child poverty.
Community Safety, Crime and Disorder	Y	As above.
Health, Safety and Wellbeing	Y	Changes to a Banded scheme could be seen to have a positive impact on our poorest and most vulnerable families.
Other implications		

Appendices:

Appendix 1 Devon Schemes

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes/No
SLT Rep briefed	Yes/No
Relevant Exec Director sign off (draft)	Yes/No
Data protection issues considered	Yes/No
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	Yes/No