

Report to: **Council**
Date: **21 February 2019**
Title: **Council Tax Reduction Scheme 2019/20**
Portfolio Area: **Customer First – Cllr Bastone**

Wards Affected: **all**

Relevant Scrutiny Committee: **Overview & Scrutiny Panel**

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 Council adopts a new 4 banded Council Tax Reduction Scheme ranging from 85% to 25% as set out in Appendix 1 for 2019/20 from 1st April 2019.

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.

The Authority undertook a comprehensive consultation from the 24th October 2018 – 19th December 2018, The Council received 47

responses, which is typical nationally of a consultation on this subject. Residents were engaged in a variety of ways including:

- On line
- E-mail
- Social Media
- A short film was also completed on social media to encourage participation.

Devon County Council have stated that they do not have any objections to a change to the Council Tax Reduction Scheme that is broadly cost neutral.

The final Council Tax Reduction Scheme must be adopted by Full Council, and cannot be delegated to an officer or Committee.

2 Background

2.1 Council Tax Reduction (CTR also known as Council Tax Support - CTS) 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 Outcomes/outputs

3.1 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.

3.2 The aim of the local scheme is to be 'cost neutral'. By this we mean that the level of Government grant would equal forecasted Council Tax Reduction expenditure for 2019/20

3.3 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 expenditure |
|--|----------------|----------------------|----------------------|------------------------------|-------------------------|-------------------|
|--|----------------|----------------------|----------------------|------------------------------|-------------------------|-------------------|

| | | | | | £ | £ |
|-----------|-------|-------|-------|-----------|-----------|-----------|
| April 14 | 6,174 | 2,802 | 3,372 | 1,900,285 | 3,062,544 | 4,962,829 |
| April 15 | 6,005 | 2,751 | 3,254 | 1,816,016 | 3,009,416 | 4,825,432 |
| April 16 | 5,273 | 2,344 | 2,929 | 1,747,454 | 2,836,706 | 4,584,160 |
| April 17 | 5,166 | 2,349 | 2,817 | 1,876,611 | 2,906,834 | 4,783,445 |
| April 18 | 5,079 | 2,397 | 2,682 | 1,959,118 | 2,879,962 | 4,839,081 |
| April 19* | 4,949 | 2,358 | 2,591 | 1,869,281 | 2,755,015 | 4,624,296 |

*Estimated figures taken from current modelling.

- 3.4 The slight increase in expenditure is mainly due to the level of increase in council tax for 2018/19.
- 3.5 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 39% over the four years.
- 3.6 The proposed scheme is a radical new scheme, adopted by only a handful of Councils nationwide so far, although lots more are likely to adopt a similar scheme in the near future. The Scheme has been developed to support our most vulnerable customers in the ever changing landscape of welfare reform.
- 3.7 South Hams are now a full service area for Universal Credit, and our existing means tested Council Tax Reduction Scheme is no longer fit for purpose. As income fluctuates through Universal Credit, this triggers a new council tax bill to the customer – under the current scheme this could mean the customer getting a new bill each month. This does not allow people to budget effectively adding stress and pressure on those already managing on a low income. The simplified Scheme will only trigger a new bill if there is a significant change to someone's income. This Scheme offers increased transparency and is much easier to understand.
- 3.8 Hand in hand with the new proposed Scheme is the Council's existing Exceptional Hardship Fund. This discretionary funding pot is designed to safeguard our most vulnerable who are struggling financially. There is also access to the Money Advice contract for those who need assistance with debt or claiming appropriate benefits.
- 3.9 The main driver for the Council to change its Scheme is to protect our most vulnerable residents, and by introducing a new scheme soon after the introduction Universal Credit demonstrates that the Council is responding to the needs of people in South Hams.

4. Consultation Results

4.1 47 residents responded to the consultation survey, which is a significant improvement on the previous consultation. It should be noted that not everyone answered all the questions, so the % will not always add up to 100%. Whilst the results suggest that the respondents wish to retain the existing scheme, a significant number of the proposed changes received positive responses.

4.2 An analysis of the responses shows that;

- 38% (18 respondents) felt that the Council should keep the current scheme.
- 34% (16 respondents) disagreed
- 13% (6 respondents) didn't know
- 15% (7 respondents) said other

- 29% (12 respondents) agreed with a banded scheme
- 49% (20 respondents) disagreed
- 22% (9 respondents) didn't know

- 26% (10 respondents) agreed with limiting the number of dependent children to two
- 61% (23 respondents) disagreed
- 13% (5 respondent) didn't know

- 41% (15 respondents) agreed with the removal of Non Dependants
- 33% (12 respondents) disagreed

- 69% (25 respondents) agreed to us changing the claiming process for all claimants in receipt of Universal Credit.
- 76% (25 respondents) agreed with disregarding carer's allowance.
- 29% (10 respondents) agreed to removing the current earnings disregard and replacing with £5, £10 and £20
- 53% (18 respondents) disagreed
- 73% (24 respondents) agreed with disregarding the support element of Universal credit
- 84% (27 respondents) agreed with disregarding the housing element of Universal Credit
- 21% (7 respondents) agreed with using Minimum Income Floor for self-employed.
- 64% (21 respondents) disagreed
- 58% (19 respondents) agreed with setting the minimum level of council tax reduction at £1 per week
- 33% (11 respondents) agreed to reduce the capital limit from the existing £16,000 to £6,000
- 55% (18 respondents) disagreed

A question that asked whether the Council should consider any options rather than the proposed changes to the Council Tax Reduction Scheme was answered as follows;

- Increase the level of Council Tax to cover the additional administration costs?
39% (13 respondents) agreed
45% (15 respondents) disagreed
- Find the additional administration costs by cutting other Council Services?
12% (4 respondents) agreed
79% (26 respondents) disagreed
- Use the Council’s reserves?
28% (9 respondents) agreed
50% (16 respondents) disagreed

5. Proposed Way Forward

Option 1 – New banded scheme

- 5.1 Introduce the banded Scheme which will assess the maximum level of Council Tax Reduction based on the net income of the claimant and partner.
- 5.2 To keep the Scheme simple where a customer receives a “passported benefit” such as;
- Income Support
 - Jobseekers Allowance (IB)
 - Employment Support Allowance (IR)
- They will automatically receive maximum support by being placed in the top band of the Scheme.

- 5.3 Therefore the income bands that will be used in the Scheme are as follows;

| | | | | | |
|--|--|--|-----------------|--|--|
| | | | Couples’ | | |
|--|--|--|-----------------|--|--|

| Council Tax Reduction Level | Passported | Single Income Band Weekly £ | Income Band Weekly £ | Family with one child Weekly £ | * Family + Weekly £ |
|------------------------------------|-------------------|------------------------------------|-----------------------------|---------------------------------------|----------------------------|
| Band 1 – 85% | Relevant Benefit | 0.00 – 75.00 | 0.00 - 115.00 | 0.00 – 200.00 | 0.00 – 335.00 |
| Band 2 - 80% | N/A | 75.01 – 110.00 | 115.01 – 150.00 | 200.01 – 235.00 | 335.01 – 370.00 |
| Band 3 - 50% | N/A | 110.01 – 160.00 | 150.01 – 200.00 | 235.01 – 285.00 | 370.01 – 420.00 |
| Band 4 - 25% | N/A | 160.01 – 205.00 | 200.01 – 245.00 | 285.01 – 330.00 | 420.01 – 465.00 |

***Based on family with 3 children (average family 2.4 children)**

5.4 Main features:-

5.4.1 In this Scheme as part of our ongoing commitment to support disabled people the council 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 the council continue to disregard Child Benefit and Child Maintenance Payments.

5.4.2 Working-age households will receive a percentage discount, depending on their level of income. These 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.

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

5.4.3.1 Working-age people will receive a percentage discount of either 85%, 80%, 50% or 25%, depending on the level of income and the income band they fall into.

5.4.3.2 Anyone with savings of £6,000 or more will not qualify unless they are in receipt of a "passported benefit."

- 5.4.3.3 Those in receipt of Income Support, Jobseekers Allowance (income-based) Employment Support Allowance (income-related) will automatically be placed into Band 1 (i.e. 85% reduction)
- 5.4.3.4 Net earnings will be taken into account when calculating Council Tax Reduction.
- 5.4.3.5 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.
- 5.4.3.6 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.
- 5.4.3.7 To support incentives to work, the Council will have earnings disregard of £5.00 for single people, £10.00 for couples and £20.00 for lone parents and disabled, this is the amount of earnings not taken into account.
- 5.4.3.8 To support incentives to work for those that work over 16 hours the Council 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).
- 5.4.3.9 Universal Credit – Where the Universal Credit payment is worked out based on wages, the Council will still take the wages into account after taking the relevant earnings disregard. The council will then add them to the Universal Credit payment to work out what band to use to calculate the Council Tax Reduction.
- 5.4.3.10 Deductions taken from Universal Credit by the Department for Works and Pension (DWP) will not be removed.
- 5.4.3.11 The housing cost element of Universal Credit will be ignored.
- 5.4.3.12 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).
- 5.4.3.13 Applications from joint tenants will be assessed on their share of the liability.

- 5.4.3.14 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 dependent on you).
- 5.4.3.15 Backdating is limited to six months and assessed on whether there is good cause to do this.
- 5.4.3.16 Payment of Council Tax Reduction would only be made if it is over £1 per week.

- 5.5 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.

- 5.6 Through regulations, Government set 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 to reflect increase in cost of living.

Option 2 – Amend current scheme

- 5.7 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.

- 5.8 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.

- 5.9 South Hams and West Devon are the only two councils within Devon that are looking to introduce a new scheme in 2019/20.

- 5.10 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.

- 5.11 This option will have the same impact as option 2 without the reduction in administration.
- 5.12 Officers recommend that Council adopt Option 1, the banded scheme from 2019/20.

6. Supporting Information

- 6.1 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.
- 6.2 The latest modelling shows that approximately over 1,899 residents will see their Council Tax Reduction increase, these are mainly our most vulnerable residents.
- 6.3 Whilst most residents will be better off there will be some that are adversely impacted, the latest modelling shows that approximately 460 residents could potentially be worse off, this is mainly due to the changes with self-employed income and the introduction of the Minimum Income Floor (MIF), the Capital limit of £6,000. However these changes will bring us in line with the rest of Devon who have already implemented them.
- 6.4 The latest modelling shows that the Council have approximately 322 families with 2 or more children, 237 large families would benefit from the new scheme with 85 being adversely affected, testing shows that this is mainly due to the introduction of MIF.
- 6.5 The Authority still has an Exceptional Hardship Fund which is financed through the collection fund for those residents that find themselves requiring short term financial assistance.
- 6.6 The scheme will be far simpler for the claimant to understand, therefore less customer queries and calls, the Council won't be verifying information so this will reduce staff assessing time and speed up processing times.
- 6.7 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.

7. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|---|---------------------------|---|
| Legal/Governance | Y | The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefits and brought in instead, localisation of Council Tax Support under the Local Government & Finance Act 2012 from 1 April 2013. This Act made councils responsible for administering their own Council Tax Support Schemes. Councils are required to review their Schemes annually and Full Council must make a decision as to whether to revise or replace the Scheme. |
| Financial | Y | The Government funding (Settlement funding assessment - SFA) received from Central Government will be reduced by 39% 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 | Y | <p>Failure to agree a scheme</p> <p>Both Councils will have to agree to the banding scheme to realise all the efficiencies.</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 current scheme will not remain fit for purpose.</p> <p>Annual review and close monitoring of announcements and national forums.</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 | Y | An equality impact assessment has been |

| | | |
|--------------------------------------|----------|---|
| Diversity | | completed. See Appendix 2. |
| 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 Policy

Appendix 2 Equality Impact Assessment