

EXECUTIVE

LEADER: Cllr Gordon Hook

PORTFOLIO HOLDER: Cllr Alan Connett

DATE: 5th September 2019

REPORT OF: Alan Connett – Portfolio Holder for Corporate Resources
Tracey Hooper – Interim Service Lead for Revenue,
Benefits and Customer Support

SUBJECT: Council Tax Reduction Scheme - public consultation

PART I

RECOMMENDATIONS

The Executive is recommended to approve plans to consult with major preceptors and the public on proposals to introduce a new working-age Council Tax Reduction Scheme for the year 2020-21.

It is recommended that we maintain overall support at current levels and that the following key features of our current scheme be retained:

- Maintain maximum support at 100%
- Maintain an Exceptional Hardship Scheme
- Continue to award 100% support to passported claims
- Disregard disability related benefits when calculating income
- Disregard child benefit and child maintenance when calculating income
- Disregard War disablement/widows pension when calculating income
- Limit the no. of dependant children in the calculation to a maximum of two for all new claimants
- Apply the minimum income floor for self-employed claimants
- Capital limit of £6,000
- Allow for childcare costs

It is recommended that the following **additional** features are included in the new scheme:

- Disregard Carers Allowance when calculating income
- Disregard Employment and Support Allowance (support element) when calculating income
- Replace current variable earnings disregard with a standard £25 disregard for all
- Incorporate a Return to Work Incentive for Universal Credit claimants and others by paying support for a period of one month beyond the return to work date.
- Apply the current two dependant children limit used in the calculation to existing claimants
- Remove non-dependant deductions from the scheme
- Disregard payments made under the Windrush Compensation Scheme, We Love Manchester Emergency Fund and similar Government funded compensation schemes
- Reduction to be awarded from the date of change as opposed to the 'Monday following' the date of change
- Remove the requirement for good cause to be proven before backdating the award.
- Increase the 1 month back-date time limit to 12 months.
- Remove the restriction that limits support to maximum Band D property.

1. PURPOSE

- 1.1 The report outlines the main reasons for recommending a move to a new simplified Council Tax Reduction scheme for the year 2020-21 which will be reviewed and revised as appropriate at the end of the year,
- 1.2 The report also seeks permission to consult with precepting authorities (Devon County Council, Police & Crime Commissioner for Devon and Cornwall, Devon and Somerset Fire and Rescue Authority) and such other persons as are likely to have an interest in the operation of the scheme.

2. BACKGROUND

- 2.1 Until 2013, help for low income residents to pay council tax was delivered alongside housing benefit using the national benefit system which prescribed the rules and levels of support for both working age and pensioner households.
- 2.2 The council tax benefit scheme was abolished in 2013 and replaced with a discount scheme known as Council Tax Reduction. The rules for pensioners are still set nationally but it is for billing authorities to determine the rules and levels of support for working age claimants.
- 2.3 Given that we administer housing benefit and Council Tax Reduction together it has always made sense to align the schemes, minimising confusion for claimants and staff alike, and avoiding any increase in administration costs. However, since the rollout of Universal Credit, the benefits arising from alignment with housing benefit have been lost. New claimants and those experiencing a 'triggering' change in circumstances must now apply to the Department for Work and Pensions (DWP) for Universal Credit which includes an amount towards their housing costs, and to the Council for Council Tax Reduction.
- 2.4 Because of this, administration has become increasingly difficult. We typically receive notifications from the DWP of a change in income every month. These changes are often insignificant (e.g. £1 variation in income) but as Council Tax Reduction schemes are fully means tested, even a trivial change requires reassessment, triggering an amended council tax bill and rescheduling of instalment profile. As a result, some households are issued with many bills and a bewildering number of changed instalments each year. This can make it difficult for taxpayers to budget or even understand what is due.
- 2.5 Now that the link with housing benefit has been broken, the burden of carrying out a full means test assessment, which can take a number of weeks to finalise, for what is effectively a council tax discount cannot be justified.
- 2.6 The funding available from Government to administer the scheme has reduced by approximately 44% since 2013 and is expected to fall more sharply as more cases move onto Universal Credit, resulting in more of the administration cost having to be met by the Council. Even if it was desirable to retain the previous means tested system, the administrative costs involved would be prohibitive.

3. INCOME-BANDED SCHEMES

- 3.1 For the reasons outlined above, Councils across the country are starting to move to discount based income-banded schemes. These are characterised by simple rules and straightforward administration, making them transparent to the taxpayer and simple to grant.

- 3.2 South Hams and West Devon introduced an income-banded scheme this year and, although it's early days, this appears to be working well.
- 3.3 There are a variety of schemes in existence but principally these schemes provide support based on bands of income. There are two main types in operation, the grid scheme which takes into account income and household composition, and the banded scheme which looks only at income and pays no regard to household factors. These two types are illustrated below:

Banded Scheme

Earned Income Band	% Council Tax Reduction
1	
2	
3	
4	

Grid Scheme

Earned Income Band	% Council Tax Reduction			
	Single	Couple	Couple with 1 child	Couple with 2+ children
1				
2				
3				
4				

Moving to a discount- based income-banded approach will deliver the following benefits:

Benefits for the taxpayer	Benefits for Billing Authorities
<ul style="list-style-type: none"> • Easy to understand; the income banded grid provides a transparent formula where residents can easily calculate for themselves how much Council Tax Support they will be entitled to. • Easy to apply for; a simple online application form requiring minimal data. • Constancy of award; entitlement will change only if the variation moves the claimant into another band, enabling customers to budget accordingly without confusion of frequent instalment recalculations. • Customers will need to report a change in circumstance only if it moves them into another band. • Higher take up due to ease of application. 	<ul style="list-style-type: none"> • Reduction in admin costs due to fewer changes in circumstances to process and revised bills to issue. • Reduced level of contact from customers seeking explanations of why they have received further revised Council Tax Support award notifications and recalculated Council Tax bills. • Potential for full automation – even as a manual process, discount can be calculated and granted / amended in seconds. • Reduced training for staff. • Protect council tax collection rate by avoiding frequent deferral of payment due dates. • Reduction in appeals to tribunal because rules are simple and less open to interpretation.

- 3.4 There are of course some drawbacks to moving away from a fully-means tested approach; inevitably there will be winners and losers, and the income-bands will create 'cliff edges' – claimants on the edge of the band could lose/gain because of minor difference in income.

4 PROPOSALS FOR 2020-21

- 4.1 On 26th July 2019, the Devon Benefit Officer Group took a report to the Devon Local Government Steering Group recommending that all Devon councils move to income-banded schemes with effect from 2020-21. South Hams and West Devon Councils have already

made this move. They went live with a grid scheme in April 2019 and, although early days, it is reported that the schemes are working well.

4.2 Having considered both styles of income-banded schemes, the grid scheme, although marginally more complex, appears to be the fairer of the two models. Unlike the banded scheme it takes household composition into account allowing for higher incomes in larger households. This is the model adopted by the majority of councils who have moved to income-banded schemes and is the one currently being progressed by all the Devon councils..

4.3 The grid scheme is illustrated in table 1 below.

NB. As far as possible, the income bands are aligned to the applicable amounts that exist within the current Council Tax Reduction scheme up to a maximum of two children. Applicable amounts are prescribed by DWP and represent the income requirements per household type.

Table 1

		Weekly Income & Discount (%)						
		A	B	C	D	E	F	
		£0.00-£75	£75.01-£150	£150.01-£225	£225.01-£300	£300.01-£375	£375.01-£450	
Household	1	Single no Dependant	100%	75%	50%	25%	0%	0%
	2	Couple no dependant	100%	75%	50%	25%	0%	0%
	3	Single one dependant	100%	100%	75%	50%	25%	0%
	4	Couple one dependant	100%	100%	75%	50%	25%	0%
	5	Single two or more dependants	100%	100%	100%	75%	50%	25%
	6	Couple two or more dependants	100%	100%	100%	75%	50%	25%

4.4 Applying a percentage discount mirrors the principles of other types of Council Tax discounts. For example single person discount = 25% reduction.

5. MODELLING

5.1 We have adopted a cost neutral approach to the modelling, aiming to maintain overall support around current levels whilst accepting that a move to a banded scheme will redistribute support across our caseload.

5.2 Whilst it is inevitable that some households will lose, the biggest losses will be amongst those with the highest entitlement under the current means test – the highest household incomes and the largest properties. By its nature, banding provides most support to those on low incomes who will likely experience the most difficulty in paying their council tax bills.

5.3 The modelling carried out to date predicts that just under 2,600 (58%) of households will be unaffected by the change. These are primarily 'passport' cases which will continue to receive 100% support on account of receiving Income Related Employment and Support Allowance, income based Jobseekers Allowance, or Income Support. Many of these households will include persons with disabilities who will continue to receive maximum support. In the new scheme approximately:

- 2,600 will continue to receive the same level of support
- 1,085 are predicted to gain. Average gain £5.70 per week
- 760 are predicted to lose. Average loss £7.29 per week

5.4 See Appendix 1 for summary of impacts on caseload and Appendix 2 for a range of case studies

- 5.5 As the data is modelled based at a fixed point in time this will need to be refreshed to take account of changes in caseload before any final decisions are taken.

6. TRANSITIONAL PROTECTION

- 6.1 When making changes to schemes councils must consider transitional protection. Historically we have done this through our Exceptional Hardship Fund (EHF). This allows claimants to apply for further support where there is financial need and for each case to be considered on its merits. The cost of EHF is shared between County, Teignbridge, Police, and Fire & Rescue, in proportion to the share of the collection fund. This approach has worked well and costs to the Council have been minimal, just £4,000 in 2018/19.

7. CONSULTATION PROCESS

- 7.1 The process for making changes to our Council Tax Support scheme is set out in legislation. This includes the requirement to consult with major preceptors (Devon County Council, Police & Crime Commissioner for Devon and Cornwall, Devon and Somerset Fire and Rescue Authority) and to conduct a public consultation exercise.
- 7.2 Following the case of (R (Moseley) v London Borough of Haringey) 2014, any consultation on changes to council tax reduction schemes must also include an option for any current scheme to be retained on the same level of funding with a consequent reduction in funding for other services. As such, there will be questions in the consultation paper on these options
- 7.3 Subject to Executive approval we aim to commence consultation with major preceptors with immediate effect and then conduct a 6 week consultation with the public and other stakeholders commencing mid- September to early November 2019.
- 7.4 At this stage we are proposing a draft scheme for consultation. There is still scope, following consultation, for members to vary the percentages, the income bands, build in other protections and transitional arrangements prior to the final scheme being approved if required.

8. MAIN IMPLICATIONS

- 8.1 **Financial** – The cost of the Council Tax Reduction scheme falls on the collection fund with each preceptor meeting the cost in proportion to their precept share. For Teignbridge this share is 8.85% of total cost. The proposal to consult on a cost neutral scheme which maintains overall support at current levels, would assist with our medium-term financial planning. Any increase in council tax will impact on the overall cost of the scheme and will need to be factored into council budget.
- 8.2 **Legal** – In considering changes to the Council Tax Reduction scheme, the Council must take into account the provisions of the Council Tax Reduction Schemes (Prescribed Requirements) (England) 2012 and subsequent amendments.
- 8.3 Since the introduction of Council Tax Reduction schemes there have been a number of legal challenges against other local schemes. Most of these challenges have been in relation to the consultation undertaken and have questioned whether due regard was given to any equality impact assessment when changes were made to schemes.
- 8.4 Billing authorities are required to review their schemes each year and decide if they want to make any changes. Before any changes can be implemented, they must be subject to public consultation. Decisions on Council Tax Reduction scheme must be made by a meeting of Full Council.

8.5 **Equality Impacts** – Before any decisions are taken in relation to changes to the Council Tax Reduction scheme, full regard must be had to equality impacts. We have identified summary impacts arising from the proposed new scheme in appendix 1 and will have a finalised Business Impact Assessment (BIA) at the time we go out to public consultation. Members will be asked to consider the BIA alongside the consultation results before any decisions are taken.

9. GROUPS CONSULTED

9.1 The Devon Local Government Steering Group and the Chief Finance Officer have been consulted and are supportive of the move to an income-banded scheme.

10. TIME-SCALE

10.1 In order to meet the timetable to introduce a new scheme in April 2020 this consultation must be concluded by early November 2019. The consultation will run for a period of 6 weeks.

10.2 Decisions on schemes to run from 1st April each year must be made by a meeting of Full Council before 11th March that year.

11. JUSTIFICATION

11.1 To comply with the provisions of Schedule 1a of the Local Government Finance Act 1992, as inserted by schedule 4 to the Local Government Finance Act 2012, which requires the authority to consider whether, for each financial year, the Council Tax Reduction scheme is to be revised or replaced and to consult with major preceptors and such other persons as it considers are likely to have an interest in the operation of the scheme, prior to making any determination.

DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

10.00 a.m. on 12.09.19

Tracey Hooper
Interim Service Lead for Revenue,
Benefits & Customer Support

Cllr Alan Connett
Portfolio Holder for Corporate Resources

BELOW TO BE FILLED IN BY REPORT AUTHOR:

Wards affected	All
Contact for any more information	Tracey Hooper 01626 215266
Background Papers (For Part I reports only)	Current CTR Scheme: Exceptional Hardship Policy
Key Decision	Y
In Forward Plan	Y
In O&S Work Programme	N
Community Impact Assessment attached:	N
Appendices attached:	1: Summary Impacts on Caseload 2: Case studies