

**LOCAL COUNCIL TAX SUPPORT SCHEME 2019/20**

|                                 |                   |
|---------------------------------|-------------------|
| Relevant Portfolio Holder       | Cllr Brian Cooper |
| Portfolio Holder Consulted      | Yes               |
| Relevant Head of Service        | Amanda Singleton  |
| Ward(s) Affected                | All               |
| Ward Councillor(s) Consulted    | None Specific     |
| Key Decision / Non-Key Decision | Key Decision      |

**1. SUMMARY OF PROPOSALS**

- 1.1 The Council Tax Support Scheme (CTSS) for working age applicants must be reviewed annually.
- 1.2 This report provides information on the work undertaken by the Customer Access and Financial Support Service to date in respect of the redesign of the CTSS for implementation by 1<sup>st</sup> April 2019 and sets out proposals for public consultation.

**2. RECOMMENDATIONS**

**The Cabinet is asked to RESOLVE:**

**to undertake a formal consultation with the major preceptors and the public on the proposed design of a revised scheme to take place for 8 weeks from 1<sup>st</sup> October. The results of the consultation will be presented to Overview and Scrutiny and Cabinet in January when it will consider any recommendations that will go to full Council in February.**

**3. KEY ISSUES**

- 3.1 The CTSS replaced Council Tax Benefit with effect from 1 April 2013.
- 3.2 Under the Government's Council Tax Reduction provisions, the scheme for Pensioners is determined by Central Government and the scheme for working age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme.
- 3.3 The current scheme for working age applicants is a means tested one, but has been amended since 2015 both to require a minimum payment from working age applicants of 20% and to update the scheme in line with changes to Housing Benefit that have occurred since its introduction.
- 3.4 The scheme has also been amended each year for general changes in applicable amounts and for non-dependant deductions.
- 3.5 Council has previously agreed a minimum council tax contribution from working

age claimants as 20%. Further to this it was agreed to consider reducing the minimum contribution to 15% with effect from 2019. The proposals set out in this report suggest the contribution remain at 20% for the lowest income households, however modelling at the higher level of support is being carried out in order to understand the impact on the budget position.

Additionally, consultation will be carried out on increasing the maximum support to 85% as agreed by Council in January 2018

The results of the modelling and the consultation will be reported as part of the final recommendations.

- 3.6 The introduction of full service Universal Credit (UC) in Bromsgrove will introduce many challenges for the Council in terms of the administration of Council Tax Support Scheme as well as the collection of Council Tax. At Councils where roll out has already occurred it has resulted in a delay in eligible persons claiming CTSS, and created additional paperwork for claimants to complete. This is because claimants on UC must now claim separately for CTSS whereas previously it would have been dealt with in conjunction with their Housing Benefit application.
- 3.7 In view of the problems being experienced, it is proposed that the CTSS is fundamentally redesigned to address;
- a. The problems with the introduction of full service Universal Credit; and
  - b. The inevitable increase in administration costs due to the high level of changes received in respect of Universal Credit.

### **Financial Implications**

- 3.8 The financial impacts for existing claimants will continue to be profiled and the final scheme presented following the consultation period.
- 3.9 It is proposed that the overall costs of the scheme itself will remain broadly within current expenditure and therefore there will be no significant financial impact to the Council and the Major Precepting Authorities (Worcestershire County Council, Fire Authority and Police). Worcestershire County Council have already indicated that they would not support a scheme which increases their costs.
- 3.10 The estimated current level of expenditure for the support provided to working age claimants only is approximately £1.7m (exclusive of administration costs). The changes proposed are primarily designed to prevent additional administration costs that will inevitably occur with the introduction of full service Universal Credit and not to reduce the costs of the scheme or make the less financially able to pay more council tax. The scheme will be easier for the public to understand and provide a greater degree of personal financial independence.

Not changing the CTSS for a simpler model is expected to increase administration costs but it is not possible at this stage to estimate what that might be.

- 3.11 The income changes for claimants migrating to Universal Credit are unknown and therefore the profiling that has been carried out is based on existing legacy benefits across the current caseload. The predicted expenditure is therefore subject to change when claimants migrate from legacy benefits to Universal Credit.
- 3.12 Where an individual may suffer exceptional hardship, the scheme will include provisions to allow for transitional support to be given through the hardship fund. To establish hardship and whether a payment should be made through this scheme, officers carry out a financial assessment with the claimant and establish income, expenditure, nature of expenditure and where hardship is apparent support will be provided from the most appropriate fund. If it is evident that hardship has been caused by the change to the CTSS this will be through the CTSS hardship fund.
- 3.13 There is a cost to upgrade the Revenues and Benefits computer system in order to administer an income banded scheme. This includes a one off cost of approximately £45,000 and annual maintenance of approximately £9,000. The initial cost would be paid for from existing reserves held for the administration of the Council Tax Support Scheme and Impact of UC.

### **Legal Implications**

- 3.14 On 1 April 2013 Council Tax Benefit was abolished and replaced by a new scheme discount scheme. Under s13A and Schedule 1A of the Local Government Finance Act 1992 (inserted by s10 Local Government Act 2012), each local authority was required to make and adopt a Council Tax Support Scheme specifying the reductions which are to apply to the amounts of council tax payable within their districts
- 3.15 Statutory Instrument 2012/2885, "The Council Tax Reduction Schemes (Prescribed Requirements)(England) Regulations 2012" ensured that certain requirements prescribed by the Government were included in each Scheme (subsequently amended by S.I. 2012/3085)
- 3.16 As the billing authority the Council is required by the Local Government Finance Act 2012 to consider whether to revise its scheme or to replace it with another scheme, for each financial year.
- 3.17 The Authority must adopt its scheme, and make any revisions, no later than 11<sup>th</sup> March in the financial year preceding the one when it will take effect.
- 3.18 Paragraph 3 to Schedule 1A into The Local Government Finance Act 1992 set out the preparation that must be undertaken prior to the adoption or revision of a scheme, including prescribed consultation requirements.
- 3.19 In addition, where there are changes to the scheme, the authority is obliged

under paragraph 5(4) of Schedule 1A if any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.

**Service / Operational Implications**

**Council Tax Reduction and the Full Service Roll Out of Universal Credit**

- 3.20 The introduction of Universal Credit brings a number of challenges to the administration of CTS and also the collection of Council Tax generally. Since the Universal Credit full service roll out in other areas across the country, including Redditch we have seen the following:
- The reluctance of Universal Credit claimants to make a prompt claim for CTS leading to loss of entitlement;
  - A high number of changes to Universal Credit cases are received from the Department for Work and Pensions (DWP) requiring a change to CTS 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, re-issued bills, delays and the loss in collection; and
  - An increased costs of administration as a result creating a need for additional staff resource.
- 3.21 The existing means tested CTSS is too reactive to change and is no longer viable. UC changes frequently and each change currently results in a re-assessment of CTS because of the way the current scheme is structured. To be able to manage the workload and maintain administrative costs we must consider a scheme which is less reactive to every small change in income.
- 3.22 The move to a new more efficient scheme from 2019 is now imperative to avoid increased staffing costs and simplify the administration scheme for the Council and for applicants.
- 3.23 An income banded scheme is proposed to both address the administration problem of dealing with high numbers of changes to income, as well as simplify the process for claimants.

**How the new scheme will address the issues**

- 3.24 It is proposed that the new CTSS is more clearly defined as a Council Tax

Discount. Along with a number of disregards and exemptions the scheme will discount council tax according to the claimants income band.

3.25 The proposal is for a simple scheme which will address the problems associated with Universal Credit as follows:

3.25.1 The scheme will require a simplified claiming process. In the case of Universal Credit applicants *any* Universal Credit data received from the DWP will be treated as a claim for CTS. Where information is received from DWP, the entitlement to CTS will be processed without the need to request further information from the taxpayer. This will have the following distinct advantages namely:

- Speed of processing – claims will be able to be calculated simply and promptly without the need to request further information which inevitably leads to delays.
- Maximising entitlement to every applicant. As there will be no requirement for Universal Credit applicants to apply, entitlement to CTS will be maximised with a reduced risk of loss of discount or the need for backdating.
- Maintenance of collection rates – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining collection rates.

3.25.2 The income bands will be wide and therefore avoid constant changes in discount. The current CTSS 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 new Council Tax demands. The effect of this is that Council Tax collection is reduced and administration of both CTS and CT collection increases..

The new scheme, with its simplified income banding approach, will have the following advantages:

- Only significant changes in income will affect the level of discount awarded;
- Council Taxpayers who receive CTS will not receive multiple Council Tax demands and adjustments to their instalments.

3.25.3 It provides a modern approach to changes in entitlement. The current CTSS is based on a traditional, old-fashioned benefit approach, which alters entitlement on a weekly basis when there is a variation in income. The amount households are asked to contribute to their council tax from their income is calculated by comparing their income with their 'applicable amount'. This is the minimum income set by Government which a household sharing the same circumstances is expected to live on. A taper is then applied for every additional £1 earned resulting in frequent changes every time a household income varies. The new scheme is designed to reflect a more

modern approach. Where discount changes it will be effective from the day of the change rather than the Monday of the following week;

3.25.4 It is a simpler scheme. The current CTSS documentation is large, benefits based and is unduly complex. The intention is to make the new scheme document simpler, reducing the level of complexity and making it more understandable to applicants.

3.26 Any liable person adversely affected by the proposals will be supported through transitional arrangements funded from the Hardship Fund.

**Customer / Equalities and Diversity Implications**

**The proposed 2019/20 Scheme**

3.27 It is proposed that the CTS scheme is fundamentally redesigned to address;

- The problems with the introduction of full service Universal Credit; and
- The inevitable increase in administration costs due to the high level of changes received in respect of Universal Credit.

3.28 Work has been carried out on a proposed new scheme design, the main features of which comply with the original principles of the scheme as follows:

**Principle 1** Every household with working age claimants should pay something;

**Principle 2** The scheme should incentivise people into work;

**Principle 3** The most vulnerable people should be protected.

3.29 It is proposed that the current means tested scheme is replaced by a simple income band model.

3.30 An example of the approach is shown below but is **purely indicative to add context** at this stage. The actual figures Council will be asked to approve later in the year are likely to be different. Profiling of the current claims will continue over the summer time to ensure that the scheme is still in line with budget expectations and also looks to minimise any losses to individual claimants.

**Indicative Example of potential Grid Model Approach**

| <b>Client Group</b> |          | <b>Example Weekly Income Band</b> | <b>Council Tax Discount %</b> |
|---------------------|----------|-----------------------------------|-------------------------------|
| <b>Single</b>       | <b>A</b> | £0 - £74.99                       | <b>80%</b>                    |
|                     | <b>B</b> | £75 - £149.99                     | <b>60%</b>                    |
|                     | <b>C</b> | £150 - £224.99                    | <b>40%</b>                    |
|                     | <b>D</b> | £225 - £299.99                    | <b>20%</b>                    |
|                     |          |                                   |                               |
| <b> Couple</b>      | <b>A</b> | £0 - £114.99                      | <b>80%</b>                    |

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

5<sup>th</sup> September 2018

|                                  |          |                |            |
|----------------------------------|----------|----------------|------------|
|                                  | <b>B</b> | £115 - £189.99 | <b>60%</b> |
|                                  | <b>C</b> | £190 - £264.99 | <b>40%</b> |
|                                  | <b>D</b> | £265 - £339.99 | <b>20%</b> |
| <b>Family + 1 child</b>          |          |                |            |
|                                  | <b>A</b> | £0 - £164.99   | <b>80%</b> |
|                                  | <b>B</b> | £165 - £239.99 | <b>60%</b> |
|                                  | <b>C</b> | £240 - £314.99 | <b>40%</b> |
|                                  | <b>D</b> | £315 - £389.99 | <b>20%</b> |
| <b>Family 2 or more children</b> |          |                |            |
|                                  | <b>A</b> | £0 - £214.99   | <b>80%</b> |
|                                  | <b>B</b> | £215 - £289.99 | <b>60%</b> |
|                                  | <b>C</b> | £290 - £364.99 | <b>40%</b> |
|                                  | <b>D</b> | £365 - £434.99 | <b>20%</b> |

3.31 The income levels will be based on:

- The overall expenditure of the scheme to remain as at present;
- The changes have only been made to the working age scheme as the current scheme for pensioners is prescribed by Central Government;
- Ensuring maximum number of applicants are protected wherever possible; and
- Ensuring any losses to individual applicants are minimised.

3.32 Any change to the scheme will inevitably result in both winners and losers and the aim is to design a scheme that minimizes both the number of losers and any financial loss incurred. The Hardship Fund will be available to minimize the impact and protect individuals where appropriate, through transitional support.

3.33 The proposed scheme aims to help those in receipt of CTS to manage their finances more easily and over a longer term by reducing the amount changes to their CTS.

3.33 The proposed scheme also aims to provide claimants with more surety as the amount of discount they will receive over a period of time provided their income remains broadly similar.

3.34 The aim of the schemes set out in 3.33 and 3.34 are in line with our strategic purpose to help people be more financially independent.

3.35 The initial modelling will provide projected effects from separate income banded schemes. This will allow identification of the effects of the changes to the scheme at a household level, and will show where claimants will be better off if changes are made and where household income will reduce as a result of the changes.

3.36 The modelling will also include the impact of the “no change” option. The retention of the existing LCTS scheme and the natural migration of claimants from legacy benefits to Universal Credit will create winners and losers and these need to be considered alongside the effects of a change to an income banded scheme.

- 3.37 These projected effects from the modelling of no change, and the two income banded schemes will be included in the final recommendations report. Where as a result of a change to an income banded scheme the award is reduced applicants will be able to apply to the Hardship fund for transitional support.
- 3.38 Officers will continue to provide support to any person liable for council tax who is experiencing severe hardship. This may be in the form of personal budgeting advice, short term financial support, debt management advice, or support to maximise income. Officers work with the local DWP, BDHT and local job coaches to provide a holistic approach to financial support needs. This will continue and be supported by an enhanced Hardship fund
- 3.39 At this time it is suggested that the highest level of discount will remain at 80% and will be awarded to those in Band A of the table. This will automatically apply to claimants that are in receipt of a passported benefit such as Income Support, Jobseeker's Allowance (income based) and Employment Support Allowance (income related) or the maximum award of Universal Credit.

**Other proposals**

- 3.40. The scheme allows for variation in the size of the household as the levels of income per band increase when an applicant has a partner and/or dependants.
- 3.41 The current scheme applies a deduction for non-dependants living in the household. The proposed schemes suggests reducing the number of non-dependant disregards to two, with a higher and lower rate of £3.50 per week where the non-dependent is in receipt of welfare benefits and £7.00 per week where they are in work. This continues to ensure fairness within the schemes as the whole household income will be considered when LCTS is determined..
- 3.42 The current disability benefits such as Disability Living Allowance, Personal Independence Payment will continue to be disregarded for income purposes as will Employment Support Allowance (support component) and Carer's Allowance. This is to ensure maximum support for disabled persons.
- 3.43 War pensions and war disablement pensions will continue to be disregarded.
- 3.44 Child benefit and child maintenance payments will continue to be disregarded.
- 3.45 The proposed schemes are being modelled with a capital limit for working age claimants will be set at £6,000 and also retaining the current £16,000 limit. Any capital below this amount will not affect a claimant's entitlement to CTS. The £6,000 limit is significantly lower than the current scheme and recognises that the aim of the scheme is to support the most vulnerable. The effect of lowering the limit will be shown from the full modelling, and included in the full consultation.



- 3.46 A new provision will be included to provide support for care leavers who will be provided with 100% Council Tax support up to the age of 21. Additional support will be provided for care leavers aged 21 and up to 25, where care leavers on the lowest incomes will receive 100% support, and as their income increases support will be removed in line with the income banded scheme. Currently 25 leavers of Worcestershire County Council care are being supported through the hardship fund as agreed by Council earlier this year.
- 3.47 Changes will be effective from the date of change rather than the Monday of the following week.

**Hardship Policy**

- 3.48 The current CTSS scheme contains provision for taxpayers to make an application for additional discount where they experience exceptional hardship. It is proposed that the new scheme contains the same provisions to protect individuals who experience exceptional hardship.
- 3.49 The existing hardship fund has a budget of £85,000 allocated for the provision of additional support. In 2017/18 79 CTSS Claimants were provided with support through the hardship fund.
- 3.50 The hardship scheme has an allocated budget, however, decision on hardship support are made in accordance with the hardship policy and are not limited by the availability of a specific budget. Claimants meeting the criteria set out in the policy will be provided with support.
- 3.51 Where any specific groups of people are likely to experience hardship, this will be addressed as part of the overall scheme design, for example, with the proposal to provide additional support to care leavers. The consultation will provide the opportunity for other groups to be identified.
- 3.52 The Hardship Policy and discretionary fund will continue to be an integral part of the scheme for the foreseeable future providing support to individuals experiencing temporary hardship or transitioning to or from Council Tax Support.

**Consultation**

- 3.53 As the proposals are a fundamental change to the current approach full consultation is required with major precepting authorities and with the public. It is intended that the consultation take place over 8 weeks. It will consist of an online survey, and paper copies will be available on request. Existing working age claimants will be advised via letter that the consultation is taking place. The general public will be alerted via press release, social media and our website. The major preceptors will be written to, as will a variety of CVS organisations.

The result of the consultation will be included in the report to Overview and Scrutiny and Cabinet, setting out the final recommendation

- 3.51 Under the Public Sector Equality Duty (section 149 of the Equality Act 2010) the Council must have due regard to (i) eliminating unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advancing equality of opportunity between people from different groups, and (iii) fostering good relations between people from different groups. To this end an equality impact assessment (Appendix 1) has been carried out to inform the final recommendations.

**4. RISK MANAGEMENT**

- 4.1 Any changes to council tax support can have financial implications for the Council and the major preceptors as well as for our residents and therefore extensive financial modelling has been carried out to understand the implications of the proposals.
- 4.2 Officers ensure that support on managing finances and advice on other potential benefits is made available to anyone experiencing financial hardship.
- 4.3 Any changes to the CTSS must be consulted on. The consultation must be meaningful and allow an appropriate period of time as failure to do so could result in a challenge.
- 4.4 There is a risk of increased staffing resource requirements and/or deterioration of service levels due to increased variation/complexity in administration processes if the scheme is not revised to take into account Universal Credit changes.
- 4.5 Council Tax collection rates are likely to reduce as the impact of Universal Credit and the administration it is driving into our systems grows, unless the scheme is revised to take account of these challenges.

**5. APPENDICES**

Appendix 1 – Equality Impact Assessment  
Appendix 2 – Current discounts and disregards.

**6. BACKGROUND PAPERS**

Held in Revenues Service

**AUTHOR OF REPORT**

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