

**REPORT TO THE STRATEGY & RESOURCES COMMITTEE – 28TH JULY 2020
AGENDA ITEM 6**

REVIEW OF THE COUNCIL TAX SUPPORT SCHEME

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ELT Lead:	Alison Boote – Interim Executive Head of Communities
Purpose of report:	For Members to review and agree to an outline for a first proposal on amendments to the current Council Tax Support ('CTS') Scheme for the Council Tax year 2021/2022. The proposed amendments will be included in the public consultation, and analysis of this consultation and final recommendations to be considered by this Committee in November 2020.
Publication status:	<i>Unrestricted</i>
Recommendations:	That A. a public consultation exercise be undertaken between August and October 2020 regarding potential amendments to the Authority's Council Tax Support Scheme; and B. a further report be submitted to the Committee's meeting on the 24th November 2020 regarding proposed amendments to the Scheme (for 2021/2022) in light of the consultation findings.
Appendices:	None
Background papers defined by the Local Government (Access to Information) Act 1985	None

1. Background

- 1.1 The former national Council Tax Benefit ('CTB') scheme was abolished on 31 March 2013 and replaced with a new system of localised Council Tax Reduction ('CTR') / Council Tax Support ('CTS'), which requires each billing authority to design and implement its own scheme for awarding council tax discounts to working age customers on low incomes. In doing so the Department for Communities and Local Government ('the Department') reduced the funding available, to local councils to pay for this support, from 100% subsidy to a grant of only 90%. This grant was rolled into mainstream local authority funding which has since been reduced significantly.

- 1.2 Before 2013-14, the maximum CTB award that a family could receive was their council tax liability. Families receiving a means-tested out-of-work benefit – that is, income support, income-based jobseeker's allowance, income-based employment and support allowance ('ESA') or pension credit guarantee credit – automatically qualified for maximum CTB. Those who were not 'passport'ed onto full CTB in this way had to undergo a separate means test, which compared the family's income with a centrally determined measure of minimum needs. Needs were expressed as an 'applicable amount', the sum of various allowances and premiums which depended on age, whether single or in a couple, number of children and any disability and which were generally aligned with parameters elsewhere in the benefit system. If the family's income was below their applicable amount, they qualified for maximum CTB; otherwise, their CTB was reduced by 20p for each £1 of income more than their assessed needs until their entitlement was exhausted.
- 1.3 Since 2013/14 the Department transferred responsibility for CTS to local authorities. Local authorities now have a duty to provide a local CTS scheme. The Department expected that localising responsibility for Council Tax support would give local authorities a greater stake in promoting local economic growth. The Department introduced CTS at a time of wider changes, both to local authority funding and the benefits system. The Department for Work & Pensions ('DWP') introduced Universal Credit, a single benefit payment replacing six working-age benefits. As part of this, the Government removed some of the local authorities' responsibility for administering Housing Benefit by 2017 but opted not to include Council Tax Benefit in Universal Credit, localising it as Council Tax support instead.
- 1.4 The Department formally consulted local authorities, drafted legislation, and designed a 'default scheme' which they could adapt to design their own schemes. The Department's reductions to Council Tax Support funding meant that all local authorities faced a funding shortfall.
- 1.5 Most local authorities have now opted to change from the default scheme to meet their funding reduction, whilst continuing to protect vulnerable groups, and support improved work incentives delivered by the Government's welfare reform programme. Local authorities opted to pass at least some of the funding reductions on to claimants, with some requiring all working age claimants to make a minimum contribution to their Council Tax bill.
- 1.6 The roll-out of Universal Credit (UC) has had significant consequences for CTS, CTS scheme designs and local authorities workload. Rather than reduce the amount of work being done by staff trained in benefit assessments, local authorities receive daily Universal Credit Digital Service ('UCDS') notifications which provide updates to claimants who have claimed Universal Credit. Local authorities have mitigated this increased workload by automating the assessment process where possible and making changes to their CTS schemes.
- 1.7 90% of local authorities have made some changes to their CTS scheme for working-age households (other than mirroring changes made to the wider benefits system) by 2018–19s. 82% of English councils chose to deviate from the default scheme at the first available opportunity in 2013-2014.
- 1.8 Following the Customer First restructure, the number of staff available to process benefit assessments has changed dramatically. The previous Benefits Section consisted of 12 staff (8 F/T positions, 1 P/T position, 2 temporary staff, and admin support from a joint Revs & Benefits officer). There are now 7 staff within both the Case and Specialist teams (5 F/T positions and 2 P/T positions) though the workload remains

relatively the same. The proposed changes to the CTS scheme would significantly reduce this workload and readdress the balance of lower staffing levels.

2. The Current Policy

- 2.1 The Council continues to adopt the default scheme whilst facing increased financial challenges through the combination of funding reductions and welfare reforms. The Council now bears the risk of any rise in claimant numbers. This was a risk that the Council inherited from central government. Most recently we have seen the number of working age claimants we have increase from 2,175 at end of March 2020 to 2,299 by end of June. This is a 5.7% increase in number of claimants we have. The DWP recently provided us with figures which show an increase in the amount of people claiming Universal Credit in our area, and as a result a 409% increase in the number of UCDS we received between 1st March 2020, and 29th May 2020. The increase in claimant numbers and the amount of UCDS we need to process increases the cost of running the current scheme, both financial and in terms of amount of time spent processing claims.
- 2.2 The default scheme has only had minor amendments made to it to meet legislation changes. The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 As the remaining 10% of local authorities look to change their schemes within the next few years, it's unlikely there will be any further changes made to the default scheme.
- 2.3 The default scheme is a means tested benefit, in a similar manner to Housing Benefit where new claimants are expected to provide details of their and their households income and capital. Existing claimants are to report relevant changes in their or their households circumstances.
- 2.4 Our current scheme does mean some UC claims are reassessed up to 12 times a year when their Universal Credit award changes (Rather than once or twice). This has a negative impact on staff working on both Benefits and Council Tax tasks, daily processing stats, and provides a lower level of customer service as the claimant is receiving up to 12 letters a year, direct debits change more frequently, and it can make it hard to budget their payments as a result.

3 Proposed new policy

- 3.1 Councils' schemes differ substantially, which can mean that similar families can have a very different council tax bill depending on where they live. When considering different approaches to amending the current scheme, Officers have looked to simplify the scheme to allow easier accessibility for claimants, and reducing administration, whilst maintaining as generous scheme as possible and allowing high level of council tax collection. Any proposed changes must go out for public consultancy before implementation.
- 3.2 There is now seven years' worth of data available from councils who amended their CTS schemes between 2013 and 2020. In considering the design and creation of a simplified CTS scheme (for 2021/22), Officers have looked at the various pros & cons of different schemes to provide the best financial assistance to claimants, provide greater customer service and reduce the administrative impact of Universal Credit and other welfare reform on an already strained Benefits Section. Details of the proposed changes are set out in para 3.6.
- 3.3 The scheme provided by the Council must be accessible to all people who live and work in the District, protect vulnerable groups and support improved work incentives delivered by the Government's welfare reform programme.

3.4 The central government cuts to national benefits, and the abolition of extra support for third and subsequent children have often been mirrored in councils' CTS schemes, reducing the income that claimants can earn before their CTS is withdrawn. This means that even the default option involves a reduction in CTS relative to maintaining the generosity of the pre-2013 national council tax benefit system.

3.5 Designing a new CTS scheme is complex and requires expertise in forecasting and modelling the impact of any scheme choices on a range of different issues from ensuring vulnerable groups are protected, minimising the effects of any reduction in CTS and reducing cost to administrate any CTS scheme. The proposed changes has been put forward by Resident Support Specialists and who will be seeking advice from an external consultant for scheme design & modelling, the initial Equality Impact Assessment (EIA), exceptional Hardship scheme measures, the final modelling to establish CTS award levels, development of a consultation document, development and creation of new s13A 1 A Scheme documentation (CTS Policy) for the Council in line with the new scheme and the public consultation.

3.6 **The proposed changes to the existing policy are:**

3.7 **1. Income banding scheme –**

3.7.1 A simplified CTS scheme for working aged applicants, based on an income band system. Depending on where a household's total income falls within a range of specified bands, that household may be entitled to relief of up to hundred percent of the annual council tax charge. Some local authorities have limited the maximum relief to eighty percent of the annual council tax charge meaning that every working-age household, regardless of their circumstances, must pay at least a certain share of their gross council tax bill. Under that type of scheme, even those who would previously have had no net council tax bill, because their incomes and assets were so low that they would have qualified for a hundred percent discount, would now must pay something. The Council intends to continue to support it's residents with as generous scheme as possible, so would retain CTS relief of up to hundred percent.

3.7.2 An income banding scheme with up to hundred percent CTS, retains some of the benefits of the default scheme whilst protecting the vulnerable, considering the impact on claimants and lowering administration. The most pressing effect of Universal Credit on CTS schemes is that it means administration costs become a much more significant burden than was the case under its previous scheme.

3.7.3 Where a claimant who is receiving UC, income for CTS is determined by UC's monthly assessment system. This has led to monthly variations in earnings which creates need for monthly assessments/billing/changing of Direct Debits etc as there is no averaging provision in UC. As previously stated, this could lead to a monthly assessment of their claim, with up to twelve award letters a year being sent out, frequent changes to their Council Tax payments and direct debits.

3.7.4 With an income banding scheme, unless a claimant's income either decreased to a lower band or increased to a high band, their CTS would remain the same. This ensures that all claims, including UC claims aren't assessed every time there is a small change in their income (It would have to be a significant change which changes their income band) and provides greater customer service and makes it easier to budget payments of council tax.

- 3.7.5 There will be incomes which Officers do not include in weekly income figure in a similar way to the default scheme e.g. DWP benefits relating to disability, or children to ensure maximum protection for more vulnerable groups.
- 3.7.6 The income bands will increase annually in line with inflation ('CPI'). To see what band applies, Officers would calculate the amount of a claimant's household's weekly income. This is done by simply adding together all the money regularly coming in to their home. Any money received at frequencies of more than a week e.g. annually, monthly, should be converted to weekly amounts. Once calculated, an income band would then be applied, and a CTS award made for that band.
- 3.7.7 The Government has said that local authorities must protect pensioners at the same level of support as the council tax benefit scheme and has prescribed a national scheme for pensioners that provide the same outcomes as council tax benefit, so the income banding scheme only applies to working age claimants or mixed aged couples.
- 3.7.8 Details of the income banding figures would be provided to Members before public consultation began though would likely match those adopted in other council income banding schemes so examples can be provided for reference.

3.8 2. Self Employed earnings to be assessed using minimum income floor ('MIL')

- 3.8.1 The DWP and HMRC currently use MIL when assessing someone's entitlement to Universal Credit and Tax Credits. MIL would be determined in the same way as Universal Credit and Tax Credits policy with a 'Gainful self-employment' determination being made.
- 3.8.2 If someone is self-employed and their earnings are low, their CTS banding may be worked out on higher earnings than they have. This is called the 'minimum income floor'. The minimum income floor is set at the level of the national minimum wage at the number of hours a person would be expected to work. How many hours this is depends on an individual's circumstances. For many people it will be 35 hours per week, but if someone has a disability, have caring responsibilities, or look after children it might be less.
- 3.8.3 How this works is if someone's self-employed earnings are below the minimum income floor, the minimum income floor figure will be used to work out their earnings instead of their actual earnings figure. If they earn above the minimum income floor, their actual earnings will be used to work out their CTS banding.
- 3.8.4 This change brings self-employed claimants in line with PAYE claimants, and matches the changes adopted by Universal Credit and HMRC in the assessment of Tax Credits. A clause will be added to the MIL amendments to allow the local authority to remove MIL earnings in exceptional circumstances e.g. COVID-19 crisis.

3.9 3. Non-dependant Deductions

- 3.9.1 If someone is entitled to CTS, their entitlement may be reduced if they have a non-dependent adult living with them. This is called a non-dependant deduction and is because the non-dependant is expected to contribute to the household expenses. A non-dependant is an adult who lives with the claimant. This doesn't mean their partner or adult children who are still dependent on the claimant – for example,

because they are in education. It could be for example, an adult son or daughter who is working or unemployed and who still lives with the claimant.

- 3.9.2 The current exemptions from a non-dependant deduction would apply to protect the vulnerable, but where non-dependant deductions are based on earnings and like a claimant, each time their income changes, the non-dependant deduction could change, we would adopt a similar non-dependant 'banding' to determine any deduction made. There would be 3 non-dependant deduction rates – 1 for non-dependants who aren't currently working, and two gross annual earnings income bands for those that are.
- 3.9.3 There are many delays in processing claims especially whilst waiting for evidence of a non-dependant's gross earnings. Non-dependant income banding will prevent this and be less likely to lead to non-dependant income fraud or failing to keep the Council informed of changes. Less delays and speedier service.
- 3.9.4 The weekly financial contribution for each non-dependent member of a household will be –
- £5 - non-worker
 - £10.00 - if they have gross annual earnings of £22,999 or less and
 - £30.00 - if they have gross annual earnings of £23,000 or above

3.10 **4. Removal of Second Adult Rebate -**

- 3.10.1 Second adult rebate is a rebate someone can get on their council tax. A claimant can't get a second adult rebate at the same time as CTS. Typically, someone might want to claim second adult rebate if they can't get Council Tax Support because their income or capital is too high, and if there's another adult living with them who isn't their partner. They would need to be on low income or getting certain benefits for a claimant to get the rebate. Officers propose to remove second adult rebate for working age claimants, though it would remain for pension age claimants. As with non-dependant assessments, assessing second adult rebate claims often takes a greater amount of time than other claims, as there are delays in the second adult's earnings being provided. There are often gaps and delays in updates when a second adult's earnings change, and it doesn't take into consideration the income and capital of the person liable to pay the Council Tax. This could lead to a liable person earning thousands of pounds and have high capital assets but still receiving a second adult rebate of their Council Tax bill if their non-dependant son or daughter is not working or on a low income. There are not have many working age second adult rebate claims as most liable people pay their Council Tax without any need to claim.

3.11 **5. Capital Limit change for working age**

The current maximum capital limit is £16,000, where the first £6,000 doesn't not affect a working age claim. A tariff income for capital between £6,000 and £16,000 is then applied to reduce any award of CTS. For working age claimants, we propose to reduce the maximum capital limit to £10,000. Anyone that has over £10,000 in capital should be able to afford their Council Tax. Normal capital disregards would apply though.

3.12 **6. Maximum CTAX band**

The maximum amount of CTS would be capped at the band D council tax charge. For example; Mr Smith and his partner, are not presently entitled to CTS, their home is a band E property. Mr Smith and his partner have assets of less than £10,000.00 and a low weekly income. Mr Smith applies for a CTS and is entitled to a reduction of forty percent of the band D charge based on his household circumstances which determine his income banding.

3.13 **7. Backdating CTS claims**

3.13.1 For working age claimants, the Council is currently able to backdate requests for CTS for six months if the person has a valid reason for requesting a backdate and can provide sufficient evidence for that backdate. Housing Benefit claims can only be backdated by one month, and most local authorities have changed their schemes to match changes made by Government to the Housing Benefit backdating regulations.

3.13.2 It is proposed to reduce the backdate limit to one month to mirror Housing Benefit and to prevent requests to reconsider turning down a backdate request of more than a month. Often someone has a valid reason for not making a claim for one month but the majority of backdate requests we have for longer than one month are refused as the person making the request does not have a valid reason to have delayed for such a period.

4 Consultation agreement and final proposal

4.1 The Local Government Finance Act 2012 requires councils to consult on the proposed change to the scheme as follows:

- consult with precept authorities
- publish a draft scheme in such manner as it thinks fit
- consult such other persons as it considers are likely to have an interest in the operation of the scheme

4.2 The Government code of practice for consultation suggests consultation should last for "proportionate amount of time" on the basis of legal advice and taking into account the nature and impact of the proposal. Usually the consultation period used has been between 8-12 weeks. Unfortunately, due to the COVID-19 crisis Officers are currently behind in the scheduled timetable though no key dates have currently been missed. Once Members agree to public consultation on the proposed changes, work will begin on development of a consultation document. A consultation period of three months public consultation is recommended. This would take place between August 2020 and October 2020.

4.3 Work would be done to provide Members with an initial Equality Impact Assessment (IEA) and Exceptional Hardship Scheme. This would provide a detailed assessment of the possible impact of any changes considered to both the public and the council e.g. who maybe positively or negatively affected by changes to the scheme, what and how savings would be made be they financial or time spent on administration.

4.4 The key milestones are shown below

- At the start of November 2020, it is anticipated that the public consultation would end. A full analysis would be made on any feedback received and a final EIA and proposal would be prepared and submitted to Members for review based on those findings. In November/December 2020, Committee agreement would be sought and then final agreement at full Council.
- Between January 2021 and March 2021, changes to administration and implementation would take place with staff instruction/training on the new scheme.
- 1st April 2021 would see the commencement of the new scheme

5. Financial /Risk Implications

- 5.1 If the Council does not go out to public consultation by August 2020, it's unlikely that any changes will be made to the CTS scheme for 2021/2022. This would mean there would be a delay of over of year of making any amendments to the scheme. The Council would not be able to make any changes until 2022/2023, so the current issues around the existing scheme would continue e.g. poor customer service, difficulty for claimants to budget due to frequent changes in their CTS award, multiple assessments for UC claims, and heavy workload for the assessment of benefits.
- 5.2 In April 2021, the Council is moving from its current benefits system provider, Capita, to a new service provider, Northgate. Northgate have stated that if changes are made to the CTS scheme, they would implement them as part of the changeover. We would effectively go live with a new benefits system with an updated CTS scheme. If the Council delayed making any changes to its CTS scheme until 2022/2023, then Northgate will need to amend the benefits systems accordingly which will likely incur additional costs.
- 5.3 It is not intended that the revised scheme would increase the level of support provided or increase the cost of the Council Tax Support Scheme. The cost of the scheme of the proposed scheme will be considered carefully in determining bandings during the development of the scheme and the proposed scheme will be reported to back to Members when developed.
- 5.4 The estimated cost of the development of the scheme, £7,500 + VAT, can be funded from within the existing budget.

6. Legal implications

- 6.1 Schedule 1A of the Local Government Finance Act 2012 requires local authorities to consider whether to revise or to replace its scheme each year. The revision of a scheme is a decision reserved to full Council.
- 6.2 Any revisions or a replacement scheme must have been considered and agreed no later than the 31st January 2021 for operation by 1st April 2021.
- 6.3 There are no requirements to undertake public consultation should the scheme remain unchanged.

6.4 In order to discharge its duties under the Equality Act 2010 the Council will need to consider the effects of proposals on people with a protected characteristic as defined by the act, which can be done by way of an equality impact assessment.

7. Equality impacts (6.4 above also refers)

7.1 Consideration of impacts under the Public Sector Equality Duty are as follows:

Questions	Answer	
Do the proposals within this report have the potential to disadvantage or discriminate against different groups on the community?	Yes	The proposals would only apply to working age claimants as pension age claimants are excluded.
What steps can be taken to mitigate any potential negative impact referred to above?	Any negative impact would be fully investigated within an Equality Impact Assessment (IEA) and Exceptional Hardship review as stated in 3.5 and 4.3	

8. Climate Change Implications

8.1 There are no climate change implications arising from this report.

9. Conclusion

9.1 Members are recommended to agree to a public consultation exercise being undertaken and for the findings to be reviewed and reported back to the Committee in November 2020. We currently have 3,644 people claiming CTS, of which 2,299 are working age claimants. We currently pay £4,915,615.73 in Council Tax Support, of which £3,093,150.09 is paid to working age claimants. Since 2017, we have seen our CTS expenditure increase year on year.

The proposed changes to the CTS scheme would protect vulnerable groups, whilst reducing the overall cost of the scheme (Total reduction would be based on what was finally agreed to after public consultation and full savings determined for report due later in the year). It would also see secondary savings in the administration of the scheme through reduced processing time, and CTS claimants on UC would not be amended every time there was a change in their UC. This would mean fewer notification letters needing to be issued, less Council Tax bills sent and fewer direct debits needing to be amended, which would mean improved customer service as less interaction with claimants for staff in Benefits, Revenues and Customer Services as claimants will not have need to call or contact us regarding changes or bill amendments.