

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

8th September 2020

DRAFT COUNCIL TAX SUPPORT SCHEME

Relevant Portfolio Holder	Cllr David Thain
Portfolio Holder Consulted	Yes
Relevant Head of Service	Christopher Forrester
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Yes

1. SUMMARY OF PROPOSALS

- 1.1 The purpose of this report is to request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's Council Tax Reduction Scheme with effect from 1st April 2021.
- 1.2 Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
- 1.3 Council Tax Reduction (CTR) was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the council from government has reduced year on year.
- 1.4 As with the majority of authorities within England, the Borough Council needs to make changes to the CTR scheme for working age applicants - the scheme for pension age applicants is prescribed by Central Government - in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.
- 1.5 This report requests permission to consult on changes required to the scheme and makes recommendation to members for the 2021/22 scheme.

2. RECOMMENDATIONS

The Executive Committee is asked to RESOLVE that

The Council will consult with the public and major precepting authorities on the introduction of a new income banded council tax support scheme for working age applicants to be implemented from 1st April 2021.

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KEY ISSUES

Financial Implications

3.1 The current Council Tax Reduction scheme costs approximately £5.08m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:

Borough Council 13%
Worcestershire County Council 70%
West Mercia Police and Crime Commissioner 12%
Hereford & Worcester Fire and Rescue Service 5%

3.2 The approach and 'shape' of the scheme is changing, and the overall approach will be to provide additional support to those households on the very lowest incomes. There is no intention to reduce the level of support available to other households. Based on current modelling, were the new scheme to be in place at the current time, the costs would be £5.404m.

3.3 Financial modelling has been undertaken and will continue to be undertaken throughout the project and this will be particularly important given the effect of the COVID-19 crisis on the incomes of households within the Borough Council's area.

3.4 Whilst the expected costs of the scheme for 2021/22 are slightly higher, the overall level of Council Tax Reduction as a proportion to Council Tax Base has reduced significantly year on year since 2013 as follows:

Tax Year	Maximum % Reduction	Gross Council Tax £000s	Total CTR awarded £000s	CTR as % Gross CTax
2013/14	100	42,374	6,166	14.55
2014/15	80	43,571	5,272	12.10
2015/16	80	44,735	5,138	11.49
2016/17	80	46,487	5,088	10.94
2017/18	80	47,777	4,969	10.40
2018/19	80	50,312	4,913	9.77
2019/20	80	53,088	4,974	9.37
2020/21	80	55,290	5,082	9.19

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Legal Implications

3.5 Schedule 1A(3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- a) consult any major precepting authority which has power to issue a precept to it,
- b) publish a draft scheme in such manner as it thinks fit, and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

3.6 In addition, in order to set a new scheme, the Council is required to make a resolution by 11th March of the year prior to the scheme coming into place.

3.7 The purpose of this report is to seek permission to commence the statutory consultation process.

Background / Service Implications

3.8 Council Tax Reduction (CTR) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:

- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities.
- Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
- Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

3.9 Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.

3.10 The current Council Tax Reduction scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.

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- 3.11 Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.
- 3.12 When Council Tax Reduction was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age applicants, even those on the lowest income, to pay a minimum payment of 20%.
- 3.13 Since that time, other slight changes have been made to bring the scheme into line with Housing Benefit and Universal Credit.

The main issues with the current scheme

- 3.14 There are a number of issues with the current scheme that will need to be addressed if the system is to continue to provide effective support to low income taxpayers and also if the Council is able to provide the service in an efficient manner. The main issues are as follows:
- The need to assist low income households and assist in the collection of Council Tax
 - The introduction of Universal Credit for working age applicants; and
 - The need for a simplification of the scheme;
- each of the issues are examined in detail below.

Low Income Households and Council Tax Collection

- 3.15 Since 2013, the introduction of Council Tax Reduction, the majority of authorities, including the Borough Council have required all working age applicants to pay a minimum payment. Under the previous scheme (Council Tax Benefit) almost 75% of working age applicants would not have been required to pay any Council Tax and would have received full (100%) support.
- 3.16 As with a large number of authorities, there is a strong view that there should be an increase in the level of support to those households on the lowest incomes. This view has gained momentum over the past few years but has been reinforced since the COVID-19 crisis which has had a major effect on incomes generally.
- 3.17 Whilst the principle of all working age households paying 'something' was initially thought to be an approach that would be central to the design of Council Tax Reduction, the reality is, since its introduction, low income taxpayers in the poorest households, have been unable to pay the balance leading to additional costs, and

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court and enforcement action. In some cases, the amounts demanded have been written off as uncollectable. For information, in 2019, Council Tax of £1.094m has been demanded working age Council Tax claimants and an amount of £0.412m, 37% of the amount demanded.

3.18 The costs of administration of these cases by the District Council has increased significantly over the years. These costs are borne solely by the Borough Council. With the difficulties experienced, the relatively low level of payment and the high administration costs incurred, it no longer makes the amounts economically viable to collect. Notwithstanding the negative effects to those poorest households.

Universal Credit

3.19 The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction and also the collection of Council Tax. All Councils have experienced the following:

- The difficulties for Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to a loss in entitlement;
- A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Reduction 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, delays and the demonstrable loss in collection; and
- The increased costs of administration through multiple changes with significant additional staff and staff time being needed.

3.20 It is clear that the existing means tested Council Tax Reduction scheme, which is too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area and with the significant increase in Universal Credit claimants due to the COVID-19 pandemic. The move to a new more efficient scheme from 2021 is now imperative.

Simplified Council Tax Reduction Scheme.

3.21 Notwithstanding the introduction of Universal Credit, the existing scheme is based on an 'old fashioned;' means tested benefit scheme. It has major defects namely:

- It is difficult for customers to understand and is based on a complex calculation of entitlement;
- The administration for staff is complicated and lengthy, with staff having to request significant amounts of information from applicants;
- Staff have to undergo significant training to be proficient in processing claims;
- The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and

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- The administration of the scheme is costly when compared to other discounts for Council Tax.

3.22 There is a need now to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the costs of administration.

Proposed Approach for the 2021/22 Scheme

3.23 In view of the problems being experienced with the current scheme, it is proposed that an alternative approach be taken from 2021/22. The approach has been to redesign the scheme to address all current issues in particular;

- The level of support available to the poorest households;
- The problems with the introduction of full-service Universal Credit; and
- The significant increase in administration costs due to the high level of changes received in respect of Universal Credit;

3.24 Work has been ongoing since early this year on a proposed new scheme which is now ready for consultation.

3.25 Consultation now needs to be undertaken with the public and the precepting authorities. If accepted by the Council, the new scheme will take effect from 1st April 2021

3.26 The proposed new scheme has a number of features as follows:

- More support shall be given to those households on the lowest of incomes than in the current scheme;
- The changes can **only be made to the working age schemes** as the current schemes for pensioners is prescribed by Central Government;
- The current means tested schemes will be replaced by a simple income grid model as shown below:

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
Income Ranges							
Band 1	100%	£0 to £95.00	£0 to £150.00	£0 to £210.00	£0 to £140.00	£0 to £195.00	£0 to £255.00
Band 2	75%	£95.01 to £115.00	£150.01 to £180.00	£210.01 to £240.00	£140.01 to £160.00	£195.01 to £225.00	£255.01 to £285.00

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Band 3	50%	£115.01 to £135.00	£180.01 to £210.00	£240.01 – £270.00	£160.01 to £180.00	£225.01 – £255.00	£285.01 to £315.00
Band 4	25%	£135.01 to £155.00	£210.01 to £240.00	£270.01 – £300.00	£180.01 to £200.00	£255.01 to £285.00	£315.01 to £345.00
	0%	Over £155.00	Over £240.00	Over £300.00	Over £200.00	Over £285.00	Over £345.00

- It is proposed that the highest level of discount will be at a maximum level of liability (100%), Band 1, and all current applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount:
- All other discount levels are based on the applicant's, and where applicable their partner's, net income;
- The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and/or dependants
- There will be no charges made where an applicant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low income families where adult sons and daughters remain at home;
- To encourage work, a standard £25 per week disregard will be provided against all earnings This will take the place of the current standard disregards and additional earnings disregards.
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- Where any applicant, their partner or dependant child(ren) are disabled, a further disregard of £40 will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and Child Maintenance will continue to be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed;
- Second Adult Rebate will be removed; and
- The capital limit will be reduced to £6,000.

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Addressing the Issues of the Current Scheme

3.27 With the simplicity of the proposed new scheme and by taking a more 'Council Tax discount approach', it will address the problems associated with the increased administration caused by failings in the current scheme and Universal Credit as follows:

- **The scheme will require a simplified claim process.** Applicants will see a significant reduction in the claiming process and, where possible, Council Tax Reduction will be awarded automatically. For Universal Credit applicants *any* Universal Credit data received from the Department for Work and Pensions (DWP) will be treated as a claim for Council Tax Reduction. Where information is received from DWP, the entitlement to Council Tax Reduction will be processed automatically without the need to request further information from the taxpayer. These changes will have the following distinct advantages namely:
 - **Speed of processing** – all claims will be able to be calculated promptly and largely automatically 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 separately for Council Tax Reduction, the claiming process will be simplified significantly. Entitlement to Council Tax Reduction 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 the high collection rates. The increased level of discount will assist all those applicants on the lowest levels of income, again improving the overall collection rate;
 - **The income bands are sufficiently wide to avoid constant changes in discount.** The current Council Tax Reduction scheme 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 Council Tax demands. The effect of this is that Council Tax collection is reduced. 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 Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments; and

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- The new scheme is designed to reflect a more modern approach, where any discount changes it will be effective from the day of change rather than the Monday of the following week;

Transition to the new scheme and Exceptional Hardship Scheme

- 3.28 The Council must be mindful that any change in scheme or a transition to a new scheme may result in a change to the entitlement of certain applicants.
- 3.29 Inevitably, with any change in scheme, there will be some winners and losers although the proposed scheme has been designed to protect the most vulnerable. It is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the applicant.
- 3.30 This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the Council Tax Reduction scheme and fall to be paid through the Collection Fund.

Other Options

- 3.31 The alternative to introducing a new scheme for Council Tax Reductions to maintain the existing scheme. This would be a short-term option; lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Borough Council's area.

Customer / Equalities and Diversity Implications

- 3.32 A stage one Equality Impact Assessment is attached within Appendix 1 of this report.

4. RISK MANAGEMENT

- 4.1 The following risks are associated with the project:

Risk	Mitigation	Opportunities
<i>Property</i> <i>No risk</i>	N/A	N/A
<i>Community Support</i> <i>Potential Changes to the support of some working age applicants</i>	Where an applicant may receive less Council Tax Reduction, they may apply for additional support under the	There is an opportunity to: Modernise the current scheme; Enable a scheme that will be fit for purpose; and

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Risk	Mitigation	Opportunities
	<p>Council's Exceptional Hardship Fund</p> <p>In cases, where applicants have the lowest income, they may receive more support under the proposed scheme.</p>	Reduce administration.
<p>Timescales <i>It will be essential to meet project timescales if the new scheme is to be introduced for the 2021/22 financial year.</i></p>	The majority of the work has already been completed with scheme design and extensive modelling.	
<p>Project capacity</p>	Resources have already been allocated to the project which are sufficient	
<p>Financial / VfM <i>Changes to the scheme could potentially lead to changes in overall scheme costs</i></p>	Extensive modelling has been undertaken to estimate the costs of the scheme. This will continue throughout the life of the project.	The Council has indicated that it is not looking to make savings from scheme changes. The Council will provide additional support to those households on the very lowest of incomes
<p>Legal <i>Failure to set the scheme in accordance with the legislation and failure to comply with the legal requirements for developing a new CTR scheme</i></p>	The project is being undertaken strictly in accordance with legislative requirements	
<p>Innovation <i>Failure to maximise the potential of change and automation</i></p>	Throughout the project, we will look to take advantages of the latest automation of claims and the gathering of data	There will be more opportunity to enhance customer's online experience by receiving immediate decisions of discounts being granted.

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Risk	Mitigation	Opportunities
Reputation <i>Failure to implement the new scheme on time or failure to deliver a comprehensive and robust scheme</i>	The project is following previous successful implementations by other Local Authorities	There is an opportunity for the Council to enhance its reputation by developing an up to date an effective Council Tax Reduction scheme

5. APPENDICES

Appendix 1 - First Stage Equality Impact Assessment
Appendix 2 – Proposed public consultation document

6. BACKGROUND PAPERS

6.1 Council Tax Support Scheme Modelling Reports

7. KEY

CT: Council Tax
CTR: Council Tax Reduction
DWP: Department for Work and Pensions
HB: Housing Benefit
UC: Universal Credit

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