

Council Tax Support Scheme 2020-21 Consultation

Report to	Cabinet Member for Finance and Estates
Date	01 August 2019
Report Author	Chris Blundell, Head of Financial Services
Portfolio Holder	Cllr David Saunders
Status	For Decision
Classification:	Unrestricted
Key Decision	No

Executive Summary:

The report updates on the progress made on the review of the Council Tax Support Scheme in liaison with Dover District Council and Canterbury City Council. The introduction of Universal Credit is making the existing scheme increasingly complex for recipients and the council.

The proposed simplified scheme for consultation is cost neutral, administratively simpler and should maintain take up by those eligible to receive support. The introduction of a banded scheme would achieve these objectives, whilst 85% of claimants would see a positive or no change to the level of support provided.

The Cabinet Member for Finance and Estates is asked to agree the broad scheme framework for public consultation, and give delegated authority to the Deputy Chief Executive to finalise the consultation material.

Recommendation(s):

To consult on the proposed Council Tax Support Scheme for 2020-21 as set out in the report.

CORPORATE IMPLICATIONS

Financial and Value for Money	<p>The costs of the new scheme in terms of CTS awarded are set out in the body of the report.</p> <p>If, after consultation, the scheme is approved there will be one-off costs for software upgrades and these costs would be reported when the final scheme is proposed for adoption.</p> <p>The cost of developing and implementing the scheme is being contained by Civica within their contract price.</p>
Legal	<p>The proposals are in accordance with the requirements for CTS schemes.</p>

Corporate	The proposal seeks to ensure CTS is affordable and sustainable given the financial pressures the council faces.								
Equality Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td>x</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table> <p>An Equality Impact Assessment (EIA) is attached for consideration. this will be reviewed and updated when the final scheme is put to councillors for consideration. The main points arising from the assessment at this stage are:</p> <ul style="list-style-type: none"> • Age - the proposed changes only apply to working age customers as those of pension age are nationally protected. • Disability - by disregarding some incomes and replacing disability premiums to 100% for people with disabilities and carers the result is that their entitlement to Council Tax Support being protected or increased. • Other groups - the new scheme may disadvantage some customers with more than two children. None of the details that form this proposal directly or specifically target or solely affect any one of the protected characteristics or any other identifiable groups. 	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it	x	Foster good relations between people who share a protected characteristic and people who do not share it.	
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CORPORATE PRIORITIES (tick those relevant) ✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant) ✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1. Introduction and Background

Council Tax Support (CTS), Housing Benefit (HB) and the housing element of Universal Credit (UC) are means-tested benefits designed to help meet a claimant's housing costs. Housing costs specifically means a rental liability and Council Tax.

One of the main things to determine entitlement to a means-tested benefit is the level of the claimant's income and capital compared to an assessment of their needs. HB and CTS are unique, in as much as they are the only state benefits that are not administered by Central Government agencies. UC is in the process of replacing HB for Working Age claimants.

CTS replaced Council Tax Benefit in 2013 and when Council Tax Benefit was abolished funding provided to local authorities for CTS was subject to a 10% reduction from the previous amount paid under Council Tax Benefit. The amount included within central government funding has not been separately identified since 2013 and since then, central government has reduced its funding considerably, whilst expenditure on the CTS scheme has remained largely static.

Whilst CTS is a local discount, the rules around pension age customers are nationally defined and the local authority has no discretion to vary that element of the scheme. However the scheme for working age customers is not nationally defined and each local authority has full discretion over the design of its scheme. This means that where there is a need to change the scheme, that change can only affect working age recipients.

Each annual scheme must be agreed by Full Council by 11 March to come in to effect from 1 April of that year. In the event that a new scheme is not agreed, the previous year's scheme will roll forward to the next year.

There is a need to review our CTS scheme to assess whether it is fit for purpose with the challenges and financial burdens that Universal Credit (UC) brings to the ongoing administration of CTS.

2. Current Scheme

The current Thanet District Council scheme closely mirrors the former Council Tax Benefit and is administered in a similar way (and often at the same time) as an award of HB. In 2018-19 Thanet District Council awarded £13.3m in CTS on behalf of all precepting bodies. The cost to Thanet District Council of those awards was £1.7m.

In Thanet, working age claimants must pay at least 10% of their council tax liability (the same percentage applies in Canterbury and Dover). The contribution from CTS recipients in east Kent is the lowest in the county, and is towards the lower end of the scale nationally. In the majority of Kent districts, customers are required to pay at least 20% of council tax. In 2018-19, TDC was one of around 40 local authorities with

a minimum council tax payment of 10% or less, with more than 200 local authorities with a minimum over 10%, some with 30%+.

For TDC in 2019-20, 10% of council tax for a band D property is £180 and the estimated costs of the scheme (shared by all preceptors in proportion to their share of the council tax) are:

Working Age recipients	£7,014,919
Pension age recipients	£6,303,548
Total cost all preceptors	£13,318,467

We currently have a tapered scheme, which means that any change, however small, in a claimant's income causes their entitlement to change and the Council Tax bill to be recalculated.

3. Drivers for change

Universal Credit Roll Out

UC is being rolled out by the Department for Work and Pensions (DWP) to working age people who are either unemployed or in work on low incomes. It is replacing the following six working age benefits and is paid as a single monthly payment:

- Child Tax Credit
- Housing Benefit
- Income-related Employment and Support Allowance (ESA)
- Income Support
- Income-based Jobseekers Allowance (JSA)
- Working Tax Credit

UC went live in Thanet with Full Service in July 2017. This means that any new working age claimants that move into the area, or any existing legacy benefit (as per the list above) claimants that have a qualifying change in their circumstances, must make a claim for UC. This does not yet affect any other existing claimants, but they will eventually move on to UC in what DWP call managed migration. We do not yet know when this will happen but it is due to be completed nationally by December 2023.

Research in areas where UC has been rolled out has identified three key trends:

- low take up of customers in receipt of UC applying for CTS;
- high numbers of change in circumstances - approximately 40% of UC cases will have an adjustment each month; and
- council tax collection difficulties with multiple demand notices being issued.

National trends indicate on average UC customers receive at least eight change notifications in a year. Under the existing scheme, each change to UC entitlement income would produce a change to CTS entitlement, which then requires a new council tax demand notice for the customer, amending their council tax instalments on a regular basis and making it difficult to collect council tax via Direct Debit.

Impact on residents

Multiple changes for the customer on UC result in multiple changes for the customer in their CTS award. Using the existing scheme, which is a calculation on tapered income, any small change to income can amend the CTS award.

Frequent instalment changes can make it difficult for a customer to use Direct Debit as a payment method due to the lead in times that the council needs to advise the customer of a change before taking payment. Multiple demand notices can also be confusing for residents.

Frequent changes can also provide the customer with difficulties in budgeting as they would not have a regular payment amount known for their council tax. This can lead to difficulties in paying which leads to further action and potential costs to vulnerable residents.

Whereas previously customers applied for CTS at the same time as applying for HB from the council, they are now applying for UC with the DWP and are not always aware that they also need to apply for CTS with the council (although the council has been working with Job Centre Plus to remind UC claimants). As a result, some customers who should receive CTS are instead being chased for payment of full council tax, which they cannot afford to pay.

Impact on the council

Multiple changes have been demonstrated to have a significant negative impact on administration and billing for the local authority in areas where UC has been rolled out. Each change that results in a new demand notice will need to be administered by an officer and the demand notice will need to be produced, either by post or email, and sent to the charge payer.

If a resident has a monthly change it may not be possible to collect payments via Direct Debit due to the frequent changes. This has been recognised nationally where collection rates for CTS cases have reduced significantly. The worst reported figures are 55% collection, which would be a significant decrease on our current performance. This would have a negative impact on collection and recovery teams as other payment methods are more expensive and additional recovery action would be required to collect outstanding amounts.

If a customer who is entitled to CTS does not apply for it then the council would have to bill them for their full council tax bill and would send reminder and recovery letters to them. It is much better administratively for CTS to be applied to a taxpayer's account as soon as they are entitled to receive it so that unnecessary recovery action is not instigated.

4. Proposed new scheme framework

The intention is to propose a new scheme for consultation that addresses the drivers for change outlined above but that keeps the total cost of the scheme the same.

The proposed new scheme is a banded scheme. CTS recipients would be awarded CTS based on the ranges of income and their entitlement would only be amended if the income increases or decreases beyond the range of their current

band.

There is a country-wide move towards income-banded schemes as a result of the challenges and costs associated with UC. A total of 28 local authorities have this type of scheme in place for 2019-20 and many more are in the process of adopting this type of scheme for 2020-21. Examples locally include Folkestone and Hythe District Council, Sevenoaks District Council and Dartford Borough Council, which have all introduced banded schemes from 1 April 2019.

A banded scheme would reduce the number of CTS changes to entitlement and improve opportunities for billing and collection. Whilst the Council still needs to review each change this simplifies the assessment process for officers, treating CTS more as a discount and moving away from it being a benefit with traditional benefit rules.

A banded scheme is more transparent to residents and would also enable them to more effectively budget their payments as the scheme would operate using a simpler formula that could be simpler to understand. An example of this can be seen in the table below.

An income-banded scheme replaces benefit withdrawal tapers with a series of plateaus and cliff-edges. This means that variations in earnings that do not cause the claimant to cross an income band can be ignored, reducing administration. Across the councils that have or are intending to adopt this type of scheme, there is no universal approach or agreed set of figures. We are proposing to adopt five income bands for four household types and to set our figures to be as generous as possible within the financial requirements of a cost-neutral scheme, and to minimise the number of customers who see a change in their level of CTS.

Where an applicant is in receipt of a relevant benefit such as income support, job seekers allowance (income based) and employment and support allowance (income related) they will continue to receive the maximum discount of 90%. All other discount levels are based on the applicant's (and partner's if relevant) net income.

The proposed income bands are set by considering banded earnings based on the number of hours worked at the National Living Wage (NLW). The income bands are in a 4x5 grid and awards are set at a maximum 90% down to a minimum 30% at 15% intervals (90, 75, 60, 45, 30).

The grid is divided into four columns with different figures for the following household groups: single, couple, families/single parents with one child, families/single parents with two or more children.

Proposed weekly income bands by household group (£)

£	Single person	Couple	Family/single parent with 1 child	Family/single parent with 2+ children	% discount on council tax bill
band 1 income range	0 to 82.10	0 to 122.10	0 to 172.10	0 to 222.10	90
band 2 income range	82.11 to 123.15	122.11 to 163.15	172.11 to 213.15	222.11 to 263.15	75
band 3 income range	123.16 to 164.20	163.16 to 204.20	213.16 to 254.20	263.16 to 304.20	60
band 4 income range	164.21 to 205.25	204.21 to 245.25	254.21 to 295.25	304.21 to 345.25	45
band 5 income range	205.26 to 246.30	245.26 to 286.30	295.26 to 336.30	345.26 to 386.30	30

The amounts above are based on a calculation of hours multiplied by the National Living Wage (NLW) aged 25 and over rate, which is £8.21 per hour. The amounts would need to be inflated each year to take account of increases in the NLW.

Then, a standard amount (£40) is added for couples and for single parents, and for children (£50 per child, up to a maximum of 2 children).

The hours for each band starts at 10 hours for 90% band, 15 hours for 75% band, 20 hours for 60% band, 25 hours for 45% band, and finally 30 hours for 30% band.

Worked examples

Single person column, 90% support (band 1) = 10 hours x NLW (£8.21) = £82.10

Single person column, 75% support (band 2) = 15 hours x NLW (£8.21) = £123.15.

Family/single parent with one child column, 60% support (band 3) = 20 hours x NLW (£8.21) = £164.20, plus £40 (because they are not the only person in the family unit), plus £50 (because they have one child) = £254.20.

Family/single parent with two children column, 30% support (band 5) = 30 hours x NLW (£8.21) = £246.30, plus £40, plus £100 (because they have 2 children) = £386.30.

The proposed scheme is also comprised of the following existing and new elements.

Elements in the existing CTS scheme to continue in new scheme:

- 90% is the maximum discount available;
- Capital held is limited to £6,000 (no entitlement to CTS if capital exceeds this limit);
- CTS is restricted to Band D levels (properties banded E-H only receive support equivalent to D);
- Child Benefit and child maintenance are fully disregarded to protect lone parents/ families;
- the housing element of UC is disregarded; and
- war pensions and war disablement pensions are disregarded.

Proposed changes to the scheme:

- to introduce a standard £10 a week non-dependant deduction (for each adult other than a partner living in the household);
- to set a self-employed minimum income floor of 35hrs x NLW (removing the current 16hrs floor and aligning with the UC floor);
- to apply a standard earnings disregard of £25 a week for all customers (so all the calculations above exclude the first £25 a week of earnings); and
- to replace disability premiums like-for-like, to protect those with disabilities and prevent any losses.

In addition, when a customer applies for UC and the council is notified of that by the DWP that will be deemed to be an application for CTS. This will remove the need for customers to apply to the DWP for UC and then to apply separately to the council for CTS. This will simplify the process for customers and make sure that take up of CTS is maximised.

5. Impact of the proposed new scheme

The total cost of current scheme in 2018-19 was £13,318,467. The total forecast cost of the new scheme is £13,306,065 (marginal reduced cost of £12,402 or 0.09%).

The working age element of CTS in 2018-19 cost £7,014,919. The forecast working age CTS cost is £7,013,960 (marginal reduced cost of £959 or 0.01%).

These are estimates at a point in time and based on the proposed changes, which are subject to consultation. As UC is rolled out to more residents in the district it is expected the overall cost of the scheme will reduce back to 2018-19 levels and so the

proposed changes should be broadly financially neutral for the Council and the preceptors.

Projected impact on customers

One of the aims of the new scheme design was to minimise the level of change between the old and new schemes. It is forecast that the proposed changes would mean that:

- 5,703 working age recipients (66%) would see no change in the amount of CTS they receive
- 1,616 (19%) would see an increase
- 1,324 (15%) would see a reduction

For those positively affected, the average weekly gain would be £4, with the highest increase being £22 a week. For 66% of those positively affected gain will be £5 or less. Further details are set out in the tables below.

Weekly Total Gain (£)	Number affected
20+	3
15-20	5
10-15	101
5-10	445
0-5	1,062

Household type	Number affected
Couple one or both over 18	59
Family one or both over 18	106
Lone parent aged over 18	324
Single person aged less than 25	3
Single person aged over 25	135
UC claimant	895
Information not held	94

For those negatively affected, the average weekly loss would be £5 and the highest £32 a week. For 62% of those negatively affected the loss will be £5 or less. Further details are set out in the tables below.

Weekly Total Loss (£)	Number affected
30+	5
25-30	3
20-25	22
15-20	39
10-15	104
5-10	329
0-5	822

Household type	Number affected
Couple one or both over 18	8
Family one or both over 18	310
Lone parent aged over 18	163
Single person aged less than 25	0
Single person aged over 25	14
UC claimant	782
Information not held	47

To council will implement a Transitional Relief fund to provide protection for one-year for those claimants most negatively affected by the implementation of the new scheme. For example, losses could be capped to a maximum of £10 per week in the first year. This would cost the scheme approximately £180,000, of which approximately £23,000 would be a cost to TDC. Options for such a relief scheme will be provided to members for their consideration after the consultation and as part of the overall scheme approval.

The cost of the Transitional Relief offered in 2020/21 will be met from the Council's Exceptional Hardship Payment fund (EHP). The Council's EHP fund was introduced in April 2017 and is money allocated specifically to support those who have been affected by changes to CTS schemes. Beyond 2020/21, recipients negatively affected by the proposed changes will be eligible to apply for to the EHP fund for additional support.

6. Planned Consultation

There will be an eight-week consultation, provisionally to take place over August and September.

As well as an open consultation on the website, all current recipients of working age CTS will receive a letter inviting them to respond to the consultation as will a sample of council taxpayers across the district. The Council will also be consulting with interested organisations locally such as the Citizens Advice Bureau and also needs to formally consult with the preceptors.

The CTS scheme is administered by Civica as part of a shared service agreement between TDC, Canterbury City Council (CCC) and Dover District Council (DDD). All three councils will be consulting on proposed changes to their CTS scheme, and whilst each scheme is unique to the authority and its characteristics there is a degree of uniformity to the proposals. Therefore, for efficiency, it is proposed that the consultation be undertaken and managed by CCC on behalf of three partners.

To facilitate this joint consultation and comply with data protection regulations, specifically the processing of personal information pertaining to claimants, a formal agreement will be entered between CCC and TDC for the provision of consultation services in accordance with the Local Authorities (Goods and Services) Act 1970.

7. Options available with reasons for suitability

A decision not to consult on a new scheme would effectively be a decision to retain the current scheme.

Alternatively elements of the proposed new scheme could be supported for consultation but decide to amend others. This would require a remodelling exercise to understand how any amendments impact on customers and on the Council.

Identification of Options for consultation

If changes are not to be made to the CTS scheme to simplify the scheme and hence contain administrative costs, then collection rates for council tax are likely to fall, as more time will be spent on administering the scheme and less time will be available for council tax recovery. This will reduce the resources this council and the preceptors will have available to fund services at a time when they are already having to manage difficult budget reductions due to central government funding cuts.

There are two other options to consider to meet the funding shortfall:

- (a) increase the level of Council Tax beyond that assumed in the four-year financial plan;

- (b) make reductions to services over and above the savings already identified in the financial plan.

These are not currently recommended options, but for completeness they should be included in the consultation.

8. Conclusions

The introduction of Universal Credit has a significant impact on the administration of CTS and the Council therefore needs to review its scheme to ensure that as UC is rolled out for all working age customers the scheme meets the needs of customers and the Council. The proposed banded scheme is a practical response to these challenges in that it is simpler for both customers and the Council.

Contact Officer:	Chris Blundell, Head of Financial Services
Reporting to:	Tim Willis, Deputy Chief Executive

Annex List

Annex 1	Equalities Impact Assessment
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Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation

Finance	Tim Willis, Deputy Chief Executive
Legal	Tim Howes, Director of Corporate Governance