

## OSCOM Panel Meeting – 21<sup>st</sup> August 2019

### Council Tax Support Scheme Update

#### SUMMARY:

- The Council made a number of changes to its CTS scheme in 2019/20. The report considers the impact of those changes in the first four months of the financial year.
- The report also considers options for further changes to the CTS scheme for 2020/21. Any changes will require an 8-week public consultation exercise and an equalities impact assessment to be carried out.

## **1 Introduction**

- 1.1 This report is written to provide an update on the changes that were made to the Council's Council Tax Support (CTS) scheme in 2019/20 and to consider options for further changes to consult on for 2020/21.
- 1.2 A timetable for the consultation and approval of the scheme for 2020/21 is attached as an annex to the report.

## **2 Background**

- 2.1 CTS was introduced on 1 April 2013 to replace the old Council Tax Benefit scheme.
- 2.2 Government funding for the new CTS was reduced by 10%, yet the pre-existing full support offered to pensioners was required to continue. Some Councils covered the shortfall by immediately introducing minimum charges to residents. Some, like Test Valley, took the decision to review their scheme once the actual impact of Universal Credit was more fully understood.
- 2.3 The Council was able to avoid introducing minimum charges in the early years as a result of making additional charges for long-term empty properties and a reducing CTS caseload.
- 2.4 However, from 1 April 2019 the point was reached where the cost of the CTS scheme could no longer be contained within its existing budget.
- 2.5 The Council consulted on a range of options to take effect from 1 April 2019 and encouraged Council Tax payers, local partners, groups and organisations to submit a response. The changes that were made to the scheme and an initial review of the impact of those changes is discussed in more detail below

### 3 Changes to the Scheme for 2019/20

3.1 Three substantial changes were made to the CTS scheme for 2019/20. These were:

- Apply a financial cap so that working-age council tax payers would pay a minimum of 10% of their council tax, subject to specific exemptions related to disability.
- An increase in the minimum amount of CTS payable from 50p to £1 per week.
- The introduction of a tolerance for cumulative income changes of £30 per week before any changes are made to the CTS payable.

3.2 The Council's aims were to simplify the process for working-age applicants in receipt of Council Tax Support and to ensure we are able to continue to fund this important scheme.

3.3 Pensioners are not affected by any of these changes as the Government has set a national scheme. Anyone who receives the 'Support Component' of Employment Support Allowance or the 'Limited Capability for Work' element of Universal Credit aren't affected by the cap as the Council remains determined to protect its most vulnerable residents.

#### Introduction of a 10% minimum charge

3.4 This is the most significant change that was made to the CTS scheme.

3.5 It means that payments of Council Tax will be due from most working-age claimants. For some it will be the first time they have been required to pay Council Tax.

3.6 Approximately 1,100 households were affected by this change. Many of these households would not have paid Council Tax before and it was expected that recovery of Council Tax payments would be harder than for other households that are used to paying the charge.

3.7 The table below compares the recovery status of those accounts affected by this change with the overall Council Tax bills for the whole borough.

<b>Recovery Stage</b>	<b>New 10% Charge</b>	<b>Overall Council Tax</b>
Billed – up to date, no recovery action needed	65.7%	91.2%
Reminder	31.1%	5.3%
2 <sup>nd</sup> Reminder / Final Notice	1.1%	0.7%
Summons	2.1%	2.8%
Total	100.0%	100.0%

- 3.8 The table shows that a higher than average number of reminder notices have been issued to accounts affected by this change. However, the number of accounts that have progressed to final notice and summons is consistent with the overall tax base.
- 3.9 It is too early to draw any firm conclusions from the above statistics. The effectiveness of recovery from affected accounts will continue to be reviewed as the year progresses.

#### Increase minimum CTS payable to £1 per week

- 3.10 The impact of this change is that only those entitled to receive CTS of more than £52 per year (£1 per week) will receive any support. Where a customer would be entitled to CTS, but that support is calculated to be less than £52 per year, no CTS will be given.
- 3.11 There will be a small administrative saving to the Council as a result of the reduction in caseload that the change has made.

#### Introduction of a £30 per week tolerance before CTS is re-calculated

- 3.12 The purpose of introducing a tolerance in cumulative weekly earnings was to provide greater certainty to Council Taxpayers of the amount they would have to pay each year.
- 3.13 Historically, any changes in income would result in a full re-calculation of CTS entitlement and a new bill being sent out. A customer with regularly changing wages could have their entitlement to CTS changed every month, even if the change was a very tiny amount, leading to confusion over payments and difficulty in making a payment plan.
- 3.14 The cumulative tolerance approach reduces the number of changes that will require a new bill to be sent. This adds certainty for the customer as well as reducing the administrative overhead for the Council (both in postage and fielding calls from customers).
- 3.15 A high level review of outgoing post has been carried out to assess whether there is an identifiable reduction in the number of bills issued to customers as a result of this change. At this relatively early stage in the year, the results are inconclusive. Further analysis will be carried out throughout the year.

## **4 Options for 2020/21 and future years' CTS schemes**

- 4.1 The introduction of a minimum 10% charge for working-age claimants in 2019/20 was a major change to the Council's scheme. The initial impact has been assessed above, but a full review cannot be carried out until after the end of the financial year. It is therefore not recommended that major changes are made to the scheme for 2020/21.

- 4.2 The possibility that a 'grid scheme' will be developed in the future to simplify the calculation of CTS has previously been discussed. This will increase efficiency by moving away from the historic method that is based around Housing Benefit calculations, instead focusing on overall levels of income in a household.
- 4.3 An example of what a grid scheme might look like is shown in the following table. The figures shown are for illustrative purposes only.

<b>Example Council Tax Support level</b>	<b>Passported</b>	<b>Single Income Band £</b>	<b>Couples Income Band £</b>	<b>Family with 1 child Income Band £</b>	<b>Family with 2 or more children Income Band £</b>
<u>Group A</u> 100% 90%	Protected IS / ESA (IB) /JSA (IB)	0.00–75.00	0.00–120.00	0.00–200.00	0.00-300.00
Group B 75%	N/A	75.01– 100.00	120.01- 150.00	200.01- 250.00	300.01- 350.00
Group C 50%	N/A	100.01- 150.00	150.01- 200.00	250.01- 300.00	350.01- 400.00
Group D 25%	N/A	150.01- 200.00	200.01- 250.00	300.01- 350.00	400.01- 450.00

- 4.4 The benefits of this scheme will be gained once the transition to UC is completed, or at least, further progressed. It is recommended therefore that this be investigated further for the 2021/22 CTS scheme rather than evaluated for the 2020/21 scheme.
- 4.5 All Jobcentre+ in Test Valley have been live for UC for over a year and many customers are transitioning to UC from Housing Benefit as their circumstances change. However, there remains a significant (but reducing) HB caseload, as shown in the table below.

	Working Age	Pensioner	Total
9 <sup>th</sup> November 2017	3,242	1,870	5,112
10 <sup>th</sup> May 2018	3,139	1,847	4,986
8 <sup>th</sup> November 2018	2,845	1,799	4,644
9 <sup>th</sup> May 2019	2,488	1,687	4,175

- 4.6 Some changes are recommended to be consulted on for next year and these are explained below.

### Non-Dependants (Other Adults in Property)

- 4.7 The CTS scheme assumes that working non-dependant adults living in a property with a Council taxpayer will contribute to the Council Tax payable. A non-dependant could be, for example, a grown-up child of the taxpayer.
- 4.8 The Council cannot obtain non-dependant income from Universal Credit as this is not collected; instead DWP use a standard deduction amount regardless of income.
- 4.9 In calculating entitlement for CTS under our current scheme, the Council currently has to write out to ask for details of earnings for non-dependants and then carry out a means related calculation when this information is received. The claim cannot be finalised until this information is received and it is an administratively cumbersome process compared to a standard deduction. The amount of income of the non-dependant also has to be kept under review to ensure that any changes in circumstance are reflected in the deduction made.
- 4.10 The current non-dependant deductions used in our scheme for working age claimants mirror those set for the national pensioner scheme. There is no deduction made if the non-dependant is a pensioner, student, in receipt of out of work benefits or Universal Credit. If they are working, a deduction from the Council Tax Support is made as follows:

<b>Income</b>	<b>Weekly Deduction</b>
£0.00 - £207.69	£4.00
£207.70 - £360.09	£8.10
£360.10 - £447.39	£10.20
£447.40 and above	£12.20

- 4.11 The Council could choose to remove deductions for non-dependants from our scheme altogether or make a fixed deduction without reference to the non-dependant's earnings. This would remove the administrative burden of collecting the information and would also result in a quicker award of CTS to customers.
- 4.12 The total value of non-dependant deductions for working-age claimants is estimated to be £33,000 per year. The Council's share of this cost is estimated to be around £3,500. This would be the maximum impact if all non-dependant deductions for working-age claimants are removed from the scheme. The financing of the CTS scheme is discussed in more detail in section 7.
- 4.13 The net cost would be reduced if a standard non-dependant deduction is applied. The level of such a deduction would be subject to consultation, but could reasonably be based on one of the figures shown in the table above. It is recommended that this level be set at £4 per week in line with the lowest amount currently considered.

### Capital Levels

- 4.14 If a claimant has in excess of £16,000 in savings they will not be eligible for support. Our current scheme assumes a tariff income that will be earned if claimants have savings below £16,000 and in excess of £6,000.
- 4.15 The tariff income assumed is £1 per week for every £250, or part thereof, over £6,000.
- 4.16 To simplify the scheme, the capital limit could be reduced to £6,000, with this amount disregarded and no entitlement if over £6,000 is held in capital.
- 4.17 Based on current forecasts, this change would affect 15 customers and would generate a saving of £13,970 (TVBC share is £1,500). In addition there would be reduced administration costs as the Council would not require proof of capital held over £6,000

### Second Adult Rebate (sometimes known as Alternate Maximum Council Tax Reduction)

- 4.18 This relief applies where there is an adult living in a property that would be ineligible for CTS (for example, because of excess savings) and there is a second adult living in the property who:
- Receive either income support, income-related employment and support allowance, state pension credit or an income-based jobseeker's allowance or
  - Have an income of less than £266 per week
- 4.19 The maximum amount of relief that can be awarded is 25% of the Council Tax charge.
- 4.20 There are currently 13 cases where this rebate is applied at a total cost of £4,800 per annum (TVBC share is £500).

### Extended Payments

- 4.21 Extended payments are not applicable to Universal Credit and the Council should remove this from the scheme completely. This change will not impact on any existing customers. Only customers moving off certain out of work benefits would be affected in the future.
- 4.22 Other areas for consideration
- 4.23 Cllr Baverstock led an OSCOM panel in 2018 which considered a range of options for the 2019/20 CTS scheme, including those that were implemented and are discussed in section 3, above.
- 4.24 There were also a number of options that were considered by the Panel that were not pursued.

- 4.25 These were:
- Making no changes to the scheme for the coming year
  - Making no changes until all working age cases have migrated to UC
  - Reflect changes to the Housing Benefit scheme and Tax Credits under the government's programme of welfare reform
  - Restricting Council Tax support by Council Tax band
  - Make a higher than 10% minimum charge to working age claimants
- 4.26 These continue to be options for consideration but have not been investigated further in the preparation of this update report.

## 5 Consultations/Communications

- 5.1 The Council will carry out an 8-week consultation on any proposed changes to the CTS scheme for 2020/21.

## 6 Risk Management

- 6.1 A risk assessment will be carried out if any changes to the CTS scheme are proposed for 2020/21.

## 7 Resource Implications

- 7.1 CTS is a discount that is applied to the Council Tax charge of eligible customers, reducing the amount of Council Tax payable.
- 7.2 An estimate of the amount of CTS that will be awarded each year is included in the annual Council Tax base calculation. This is the calculation that sets the expected income that the Council will generate from Council Tax income each year.
- 7.3 When the tax base was set for 2019/20, the total estimated CTS for the year was £4.677M. This was based on the new rules being applied from 1<sup>st</sup> April 2019 and took into account the current trend of a reducing caseload. The actual amount of CTS that was included in the annual Council Tax bills and the latest position are shown in the following table. The total cost of CTS is shared with other preceptors (HCC, Hampshire PCC and Hampshire Fire). TVBC's share of the total cost in 2019/20 is 10.74%.

	Total Cost £'000	TVBC share £'000
2019/20 forecast CTS in Council Tax base	4,677	502
Total amount of CTS reflected in bills in March 2019	4,860	522
Estimated cost as at 4 <sup>th</sup> July 2019	4,720	507

- 7.4 The figures indicate that the changes that were made to the scheme in 2019/20 together with a continuing reduction in caseload will not lead to a further budget pressure for 2020/21.

## **8 Equality Issues**

- 8.1 An equalities impact assessment will be carried out on any options that are recommended to be included in the CTS scheme for 2020/21.

## **9 Conclusion and reasons for recommendation**

- 9.1 2019/20 saw the biggest change to the Council's CTS scheme since it was introduced in 2013. The impact of the changes, including the introduction of a minimum 10% charge for most working age claimants, is being monitored.
- 9.2 Options for changes to the scheme for 2020/21 have been put forward for the OSCOM Panel to consider.