

Council Tax Support Scheme 2020/21

Report of the Finance Portfolio Holder

Recommended:

- 1. That the following changes be made to the Council's Council Tax Support scheme for the 2020/21 financial year.**
 - **Reductions in respect of non-dependants are set at a fixed rate of £4 per week**
 - **That eligibility for Council Tax Support is restricted to claimants with less than £6,000 in eligible capital**
 - **That the second adult rebate is removed from the Council's scheme**
 - **That extended payments are removed from the Council's scheme**

Recommendation to Council

SUMMARY:

- On 1 April 2013 the national Council Tax Benefit Scheme was abolished and replaced with a locally determined scheme known as the Local Council Tax Support (CTS) scheme.
- Every council is required to have a CTS scheme and must approve it by 11 March each year.
- The Council made a number of significant changes to its CTS scheme in 2019/20. The initial impact of these changes was considered at the OSCOM Panel meeting in August 2019. That meeting also considered proposals for further, minor changes to the CTS scheme for 2020/21.
- The proposed changes were subject to a public consultation, details of which are included in Section 4 and Annex 1 of this report.
- OSCOM met on 13 November to consider the results of the consultation and receive the recommendations of the OSCOM panel. The OSCOM recommendations to Cabinet are included in this report.

1 Introduction

- 1.1 The Council is required to have a CTS support scheme to assist residents with their liability to pay Council Tax.

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- 1.2 The scheme must, as a minimum, meet the prescribed requirements published by Central Government for pensioner claimants. The scheme must also make provision for residents liable to Council Tax who are of working age.
- 1.3 A brief explanation of the terms used in this report and relating to its recommendations are as follows:
- (a) Non-Dependant Reduction – the amount of CTS you can receive can be reduced if an adult friend or family member lives with you. It is assumed that other adults living with you should contribute towards the rent and other household bills. The reduction applies whether that person is actually contributing or not. CTS is reduced by a set amount and is currently based on the non-dependant's weekly gross income. Non-dependant deductions start from the date the adult moves in or turns 18, but there are exemptions, for example if the non-dependant is a student.
 - (b) Eligible Capital is capital that is readily available to a claimant and can include cash, savings, shares, premium bonds, land and property. It does not include capital held in a property used as the claimant's home.
 - (c) A Second Adult Rebate is a reduction in Council Tax due to the fact that a second adult lives in the property and is on a low income. The second adult must be a non-dependant and cannot be a partner of the claimant. This can only be applied where the claimant is not eligible to receive CTS.
 - (d) An Extended Payment is an award of four weeks extra Housing Benefit and CTS, awarded when a claimant or their partner start work (including self-employment) or their hours or earnings from current employment increase. This does not apply in Universal Credit.
- 1.4 This report considers the options available to the Council for its CTS scheme for the financial year 2020/21.

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 Working Age 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 of CTS 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.

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- 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.
- 2.6 A major change to the Council's scheme was implemented from 1 April 2019 with the introduction of a minimum charge for most working age claimants of 10%. Other changes were also introduced at that time and included an increase to the minimum CTS payment and a £30 per week earnings tolerance for changes in circumstances.
- 2.7 An initial review of the impact of those changes was reported and discussed at the OSCOM panel meeting in August 2019. It was recommended that further major changes to the CTS scheme are not considered until the impact of previous changes could be fully evaluated.
- 2.8 A number of comparatively minor proposals that aim to simplify the scheme for residents and reduce the administrative burden of the scheme were considered and consulted upon. Details of this consultation are included with section 4 and Annex 1 of this report.

3 Corporate Objectives and Priorities

- 3.1 A CTS scheme is a legislative requirement, however the Council is able to design and maintain a scheme which supports its own objectives and priorities.
- 3.2 The Corporate Plan 2019 to 2023, "Growing Our Potential", includes priorities to ensure people are able to live well and fulfil their aspirations. Maintaining the current levels of support within our CTS scheme helps protect the incomes of some of our most vulnerable residents.

4 Consultations/Communications

- 4.1 An extensive consultation exercise in relation to proposals for the 2020/21 CTS scheme was undertaken.
- 4.2 The consultation process included, writing directly to 177 households that would be affected by the changes being consulted on; promoting the consultation on the Council's website and social media channels; sending 1,000 leaflets to random customers with Council Tax Bills and CTS notifications; and through Citizens Advice who have promoted the consultation to their customers.
- 4.3 The number of households affected by each of the changes is shown below.
- 23 Second Adult Rebate cases
 - 41 cases with capital of £6,000+
 - 121 cases with non-dependant deductions
 - No cases are affected by proposals relating to extended payments

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Some households may be in more than one of the categories, hence the total adding up to 185.

- 4.4 In addition we have also completed a statutory consultation with regard to our CTS scheme with our major preceptors (Hampshire County Council, Police & Crime Commissioner and Fire Authority). They all confirmed their support for the proposals contained in the consultation.
- 4.5 A total of 136 responses was received. 24 of these were hard copies returned by customers that were written to directly. The remainder were submitted online.

5 Options

- 5.1 Options for changes to the Council's CTS scheme were debated by the OSCOM panel in August 2019. The panel's recommendations were agreed by OSCOM on 5 September and reported to Cabinet on 11 September.
- 5.2 A public consultation has taken place on those options and the results of that consultation exercise are summarised above and detailed in Annex 1.
- 5.3 The Council cannot introduce changes to its scheme that have not been consulted on. The options in this report are therefore limited as to whether to implement any or all of the four options that were subject to consultation
- 5.4 The four options consulted on were:
- Set a fixed reduction for non-dependants living in a property
 - Restrict the maximum eligible capital level to £6,000
 - Remove Second Adult Rebate (sometimes known as Alternate Maximum Council Tax Reduction) from the Council's scheme
 - Remove Extended Payments from the Council's scheme

6 Option Appraisal

Make no changes

- 6.1 It is becoming increasingly burdensome to administer CTS for working age claimants due to the increased flow of information from the DWP and the transition of claimants from Housing Benefit to Universal Credit.
- 6.2 Changes made last year (in particular, the implementation of a £30 earnings tolerance) have helped to mitigate some of this burden, but there are still opportunities to make the scheme simpler to understand for applicants as well as reducing the amount of time it takes to process claims.
- 6.3 The changes proposed in this report will affect a relatively small number of claims and will help to simplify the scheme. Therefore, this option is not recommended.

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Set a fixed reduction for non-dependants living in a property

- 6.4 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.
- 6.5 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.
- 6.6 In calculating entitlement for CTS under our current scheme, the Council has to obtain 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 non-dependant's income also has to be kept under review to ensure that any changes in circumstance are reflected in the deduction made.
- 6.7 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:

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

- 6.8 The council consulted on a fixed non-dependent deduction of £4.00 per week, in line with the minimum deduction applied in the 2019/20 scheme. This would remove the administrative burden of collecting the information and would also result in a quicker award of CTS to customers.
- 6.9 As £4 per week is the lowest deduction made in the current scheme, no claimants will be worse off as a result of this change.
- 6.10 This option will result in a small additional cost to the scheme, reflecting that higher deductions are currently made in cases where the non-dependant has higher earnings. However, this cost is expected to be offset by savings in administration costs if a standard non-dependant deduction is applied.
- 6.11 The recommendation of OSCOM is that a fixed non-dependant deduction of £4 per week be introduced from 1 April 2020.

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Restrict the maximum eligible capital level to £6,000

- 6.12 Under the current scheme, eligibility is limited to claimants whose capital is below £16,000. Where a claimant has between £6,000 and £16,000 in capital, a tariff income of £1 per week for every £250 (or part thereof) is assumed.
- 6.13 To simplify the scheme, the Council consulted on reducing the capital limit to £6,000. Savings below this amount will be disregarded and there will be no entitlement if over £6,000 is held in capital.
- 6.14 This would reduce administration costs as there would no longer be a requirement to obtain and monitor savings levels of claimants in the tariff income range. However, there would be an estimated 41 cases where customers currently eligible for CTS would become ineligible for support in 2020/21 because their savings are in excess of £6,000.
- 6.15 OSCOM have recommended that this change is implemented in the CTS scheme for 2020/21.

Remove the Second Adult Rebate from the scheme

- 6.16 This relief applies where there is an adult living in a property who would be ineligible for CTS (for example, because of excess savings) and there is a second adult living in the property who:
- receives either income support, income-related employment and support allowance, state pension credit or an income-based jobseeker's allowance or
 - has an income of less than £266 per week
- 6.17 The maximum amount of relief that can be awarded is 25% of the Council Tax charge.
- 6.18 In line with many other local authorities, the Council consulted on removing this relief. This will reduce both the cost and administration of the scheme as any working age claimant with a second adult would no longer be entitled to claim support.
- 6.19 This will have a negative impact on the 23 claimants currently receiving this relief. However, the second adult rebate is only applicable where the claimant is not eligible for support under the main CTS scheme, so it is expected that these households will have savings or income sufficient to meet the full Council Tax charge.
- 6.20 OSCOM recommended that the second adult rebate be removed from the Council's CTS scheme for 2020/21.

Remove Extended Payments from the scheme

- 6.21 Extended payments relate to the legacy Housing Benefit scheme and are not applicable to Universal Credit.

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6.22 Removing this from the scheme will not impact on any existing customers. It is not expected that there would be any eligibility for this in the future due to the transition of customers from Housing Benefit to Universal Credit.

6.23 OSCOM recommended that extended payments are removed from the CTS scheme for 2020/21.

7 Risk Management

7.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

8 Resource Implications

8.1 CTS is a discount that is applied to the Council Tax charge of eligible customers, reducing the amount of Council Tax payable.

8.2 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.

8.3 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 April 2019 and took into account the current trend of a reducing caseload.

8.4 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
Current estimated cost of 2019/20 CTS scheme as at 30 October 2019	4,675	502

8.5 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.

8.6 The changes that are proposed affect only a very small number of claimants (177 out of a total caseload of 4,852) and are not expected to have a significant impact on the overall cost of the scheme in 2020/21.

9 Legal Implications

- 9.1 The Council has a legal responsibility to create, maintain and renew its CTS scheme on annual basis. These powers are contained in Section 13A of the Local Government Finance Act 1992 as amended.

10 Equality Issues

- 10.1 An Equalities Impact Assessment has been carried out in relation the proposed changes to the Council's CTS scheme and is attached at Annex 2.
- 10.2 This has identified that there will be both positive and negative financial impact on the recipients of CTS. It is considered that the potential benefit of changes being proposed outweigh the negative impact against a very limited number of households.

11 Other Issues

Wards/Communities Affected

- 11.1 All wards are affected by the Councils CTS scheme and the changes recommended within this report will affect a limited number of working-age claimants.

12 Conclusion and reasons for recommendation

- 12.1 A public consultation has been carried out on four proposed changes to be made to the Council's 2020/21 CTS scheme. These options were initially recommended by the OSCOM panel following its scrutiny of the current scheme in August 2019.
- 12.2 The proposed changes are relatively minor, compared to the significant changes that were introduced in 2019/20 and have been designed to make the CTS scheme easier to understand for claimants as well as reducing the administrative burden on the Council.
- 12.3 Having considered the results of the public consultation exercise, it is recommended that the four proposals are all implemented with effect from 1 April 2020.

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<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
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Report to:	Cabinet	Date:	18 December 2019