

**Proposed options to replace the existing Council Tax Support Scheme
for working age claimants**

1. Purpose of report

- 1.1 The report outlines the rationale and approach to implementing a new Local Council Tax Support Scheme (LCTS) from 2020/21.

2. Recommendation

- 2.1 Cabinet recommends to Full Council the option to approve the proposed new Local Council Tax Support Scheme attached at Appendix 1.**

3. Background

- 3.1 Legislation requires the Council to decide each year whether to keep, revise or replace the existing LCTS scheme. When making this decision the Council must adhere to the following rules:
- Consult any precepting authority which has power to issue a precept to it;
 - 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; and
 - Agree the final scheme by 11 March 2020.
- 3.2 Under the Council Tax Support provisions, the scheme for pensioners is determined by Central Government and is not at the discretion of the Council to change whereas the scheme for working age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme.
- 3.3 Funding for the previous Council Tax Benefit scheme was provided by Central Government. However, since the change to Local Council Tax Support there have been significant year on year reductions in Government funding available to pay for the scheme which is now entirely funded from the Council's core resources via a reduction to the tax base.
- 3.4 The table below sets out the number of residents currently receiving support under the existing Council Tax Support scheme:

	Council Tax Support 2019/20
Pension Age	8,784
Working Age	12,283
Total Council Tax Support Claimants	21,067

3.5 The costs of the scheme for 2019/20 are estimated as follows:

	Council Tax Support 2019/20
Pension Age	£6.7m
Working Age	£6.9m
Cost of scheme to the Council*	£13.6m

*The above cost excludes the cost of the LCTS to the major preceptors

4. The Current Scheme

4.1 The current scheme (2019/20) for working age applicants is based on:

- A maximum level of support for working age applicants of 70% with all 'pass ported' benefit recipients (Employment Support Allowance, Income Based Job Seekers Allowance and Income Support) receiving the maximum amount;
- Local Council Tax Support entitlement for all other working age claimants is determined by a complicated means test based on the previous Council Tax Benefit System (updated each year for general changes to applicable amounts mainly relating to disability premiums) which is extremely sensitive to small changes in income; and
- A discretionary scheme introduced for those applicants experiencing exceptional financial hardship.

5. Issues with the current scheme

5.1 There are a number of issues with the current scheme that need addressing if the system is to provide effective targeted support to those most in need across the borough. The main issues are as follows:

- Support not targeted to those most in need

The available discount in the Council's current scheme is low in comparison to most schemes operated nationally and in comparison to our near neighbours. This has coincided with the introduction of full Universal Credit (UC) rollout and recent increases in Council Tax that have been necessary to fund statutory social care services. As a consequence there has been a marked adverse impact on some LCTS claimants' ability to pay their council tax bills as evidenced through reduced collection rates, higher levels of arrears for UC claimants and the increased use of enforcement action.

- The adverse impact of enforcement action on those with no reasonable prospect of paying

Taking enforcement action in these circumstances (summonses, bailiffs etc.) has become counter intuitive as the end result is to add additional debt or financial strain on those residents who are least able to pay.

An additional by product is that this has led to an increasingly inefficient deployment of debt recovery resources that could be better targeted elsewhere.

- Difficult customer journey and complex administration

As already mentioned the council tax benefit based means test is extremely complex and difficult to understand from a customer's perspective; particularly in terms of understanding how the entitlement to LCTS discount is calculated and the sheer volume of requests to provide supporting information to corroborate the claim.

This complexity also makes the scheme difficult to administer for the Council with significant investment in training and support required before staff become proficient in processing claims. This is a particular problem when dealing with staff turnover which is a contributory factor in the often lengthy processing times.

In addition, the Council receives huge numbers of changes to circumstances from the DWP in relation to Universal Credit cases. As the existing means tested scheme is sensitive to almost any change in circumstances this could potentially result in a UC claimant receiving a different council tax bill every month. This is obviously confusing for the customer in terms of clarity over liability and putting suitable payment arrangements in place within that context.

In such circumstances there are clearly significantly increased administration and related overhead [postage] costs that bring no added value whatsoever.

- 5.2 In summary, the existing LCTS scheme is incompatible with UC and there is a pressing need for a simplified approach which makes better sense to the customer and to the efficient running of the Council.

6. The proposed approach for the 2020/21 Local Council Tax Support Scheme

- 6.1 The proposed scheme has 3 main objectives:

- Better targeted support to those who need it the most whilst simultaneously ensuring that the vast majority of claimants are better off than under the current scheme and that no existing claimant is worse off;
- Significantly reducing the likelihood of futile enforcement action; helping to minimise the debt burden on the lowest income households whilst simultaneously increasing the efficiency of the Council's recovery actions; and
- A simplified scheme that is easier to understand for the customer and easier to administer for the Council by introducing a scheme that is less sensitive to minor changes in income and thus avoiding fluctuating bills and payment plans.

6.2 It is proposed that the current means tested scheme is replaced with a simple 'income grid' model as shown below. In essence entitlement will be calculated based on the circumstances relevant to an individual household with relevant income bandings applied as set out below:

Group	Band 1	Band 2	Band 3	Band 4
Single	0.00 – 73.99	74.00 – 110.99	111.00 – 147.99	148.00 – 184.99
Couple	0.00 – 115.99	116.00 – 152.99	153.00 – 189.99	190.00 – 226.99
1 Child	0.00 – 182.99	183.00 – 219.99	220.00 – 256.99	257.00 – 293.99
2+ Children	0.00 – 248.99	249.00 – 285.99	286.00 – 322.99	323.00 – 359.99

6.3 The proposed scheme has the following features:

- The highest level of discount will be set at a maximum level of 82.5% of the total liability, followed by 72.5%, 50% and 25% respectively;
- All current claimants in receipt of a relevant 'pass ported' benefit will automatically receive the maximum discount;
- All other discount levels are based on the applicant's (and their partner's where appropriate) household circumstances and 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 dependant;
- A standard £25 per week disregard will be provided against all earnings for all applicant types. 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 and, in addition, the support component of Employment and Support Allowance, the Limited Capability for Work Related Activity component of Universal Credit, and Carer's Allowance will also be fully disregarded. The disregard of Carer's Allowance is a significant change in that currently this income is taken into account within the existing scheme;
- Child benefit and Child Maintenance will continue to be disregarded;
- Childcare costs will continue to be disregarded, however the maximum disregard will be capped in line with the amount awarded in the Child Care Element of Universal Credit;
- Where a person currently receives a disability premium, enhanced disability premium, disabled child premium or severe disability premium a disregard equal to the premium will be deducted from that person's income;
- The total disregard on war pensions and war disablement pensions will continue;
- There will be no time limit to backdating an individual application with each case being considered on its own merits;
- The capital limit under the new scheme will reduce to £10,000 but there will be no calculation of tariff or 'assumed' income from any capital held;

- Extended payments will be removed; and
- A minimum income floor for self-employed applicants and directors will be introduced.

7. **Benefits of the new scheme**

7.1 A combination of additional Council funding into the scheme combined with the simplified income grid approach will allow support to be better targeted at lower income households whilst also enabling more households to benefit from higher levels of discount than under the current scheme. As a result, the revised scheme is less likely to add to the debt burden of low income households than the current scheme.

7.2 The scheme will involve a much simpler claiming process with Council Tax Support being awarded automatically (without the need to provide supporting evidence) wherever possible. Any Universal Credit data received from the DWP will be treated as a claim for Council Tax Support and processed automatically. The customer journey will be significantly improved as follows:

- **Processing times will be reduced** – all claims will be calculated promptly and largely automatically without the need to request further information thus avoiding inevitably delays;
- **Maximising the support available to all those eligible** – as there be will no requirement for Universal Credit claimants to apply. The simplified claiming process for all other applicants will help to maximise the support available, reduce the risk of loss of discount together with the opportunity for backdating claims in any given financial year;
- **Maintenance of collection rates** – the increased number of households receiving a higher level of discount will assist low income households in managing their council tax bills thus increasing collection rates. In addition, because the proposed new scheme has sufficiently wide income bands constant changes to customer bills, discount entitlement and payment plans will be avoided and therefore support people to manage their accounts more effectively.

8. **Transition to the new scheme and the proposed exceptional hardship policy**

8.1 In transitioning to a new scheme the Council needs to be aware that this will result in a change in entitlement for a significant number of applicants. Based on the modelling work undertaken to date it is envisaged that the vast majority of claimants will be better off than under the current scheme with a small number of households (less than 300) with certain characteristics initially (before hardship relief) being worse off.

8.2 As a consequence the small number of claimants who could be potentially worse off under the proposed scheme will be contacted directly and an automatic award of discretionary relief made to ensure that the claimant is no worse off than under the current scheme.

8.3 Those groups that were expected to be most impacted were consulted during the consultation phase via the relevant equality group / forum [in addition to the wider consultation] with a full equality impact assessment undertaken. The full EIA is attached at Appendix 2.

9. Financial Implications

9.1 Consultations have taken place with representatives of the Service Director – Finance (S151 Officer).

9.2 As outlined in paragraph 3.5 above, the cost of the current LCTS scheme totals £13.6M. If the new scheme is approved it is estimated that the total cost of the scheme will rise to £15.1M, an increase of £1.5M.

9.2 In addition, the cost to the Council of providing discretionary relief to those LCTS claimants who will be worse off under the new schemes is estimated to be £0.114M.

9.3 The S151 Officer proposes that these additional costs be funded from improved collection rates (as highlighted earlier in the report), lower administration costs and the use of accumulated collection fund reserves should they be required.

9.4 The introduction of the new scheme will also result in a change to the council tax base. The council tax base for 2020/21 was approved by Cabinet in January 2020 and reflects the changes associated with new LCTS scheme.

9.5 Full financial implications are detailed in Appendix A and Appendix 3 accordingly.

10. Consideration of alternative approaches

10.1 As outlined above, SMT are asked to consider two options namely:

- **Option 1** - to retain the current Council Tax Support Scheme for 2020/21 on the same basis as 2019/20; or
- **Option 2** - to approve the proposed new 'income grid' Local Council Tax Support scheme for implementation in 2020/21.

11. Justification

11.1 Option 2 will mean that over 12,000 working age households on low incomes will receive more in Local Council Tax Support thus reducing the financial burden to these people. The scheme is less complex and therefore easier to understand and administer meaning that people will receive their council tax bills quicker whilst also reducing administration costs for the Council.

12. Implications for local people / service users

12.1 It is expected that more than 12,000 working age claimants will be on average better off by £125 to £241 per year. The proposals will have a significant positive impact on working age local people and service users. Predominately these are single people and couples with no children who have been most

impacted by changes in welfare reform (single room rent for under 35 year olds, bedroom tax, freeze on welfare benefits) and increasing council tax bills.

Single parents and couples with children will still see a greater reduction in their council tax bills under the new scheme than the current scheme.

The scheme has been designed on an income grid basis which is less complex to administer and less reactive to small changes. As a result there are a small number of customers who will be initially worse off (less than 300 households). These customers will be contacted directly and automatically awarded discretionary relief support so that they receive the same support as in 2019/20.

There will be no effect on pension age claimants as their Council Tax Support scheme is prescribed by Central Government.

12.2 For working age Council Tax Support applicants the implications will be as follows:

- A higher level of discount for applicants on low income;
- Continued protection for vulnerable groups and increased protection for carers;
- Easier claiming process with less information required, reduced volume of questions/contact and reduced level of evidence being requested;
- Faster claim processing with reduced waiting times;
- Reduced changes to entitlement giving greater certainty to charge payers as to the amounts owed in council tax; and
- An easier to understand scheme.

12.3 Those customers who will initially receive less (before the automatic award of discretionary relief) under the proposed scheme generally fall into the following categories

- Those with capital over £10,000- there are 26 cases where this applies;
- Those who have been self-employed for more than a year and are earning less than the living wage (with exceptions for lone parents with children under 5) - there are 42 cases where this applies; and
- Those with 3 or more children which account for further 182 cases.

(The current scheme is complex and a household may qualify for less under the proposed scheme for more than one of the above reasons).

12.4 A breakdown of how customers have been impacted is shown in the table below. Please note this is as at position 12 November 2019 and this will change on a daily basis.

Group	Increase in CTS		Reduction in CTS		
	No. of Affected Cases	Average Yearly Gain £	No. of Affected Cases	Average Yearly Reduction £	Demographics of cases impacted by reduction in CTS
Pass ported no children	4303	130.39	0	0.00	N/A
Single no children	2670	165.57	45	543.89	18 Disabled Claimant/Partner
Single 1 child	1573	156.00	8	457.02	1 Disabled Claimant/Partner 2 Disabled Dependents
Single 2 children	1111	162.08	0	0.00	
Single 3 or more children	699	125.87	61	270.69	1 Disabled Claimant/Partner 3 Disabled Dependents
Couple no children	553	241.83	20	543.26	16 Disabled Claimant/Partner
Couple 1 child	512	191.73	7	297.88	2 Disabled Claimant/Partner
Couple 2 children	477	202.80	6	231.56	2 Disabled Claimant/Partner
Couple 3 or more	385	159.05	121	444.25	7 Disabled Claimant/Partner 15 Disabled Dependents 7 Disabled Claimant/Partner & Dependent
Totals	12,283		268		

13. Employee implications

13.1 The simplification introduced by the proposed new scheme will have the following implications for employees:

- Less resource intensive and shorter training requirements;
- More flexibility and agility to deploy resources, with more staff being able to undertake Council Tax Support work across the service;
- Improved customer service; and
- Improved recovery processes with resources better targeted at those with the ability to pay.

14. Communications implications

14.1 A consultation took place from 9 September 2019 to 27 October 2019. The full communications plan is attached at Appendix 4. Predominantly campaigns were ran via social media with links to an on line survey. We also held engagement events at a mixture of libraries and family centres. These events were advertised on social media and also within each building.

14.2 The result of the social media campaign showed that we reached 47,189 people and 2,139 engaged with the social media campaign by either commenting on, sharing or viewing the images.

14.3 The EIA identified the following protected groups; age (children) sex (female) and the disabled who could be potentially adversely affected by the new scheme.

14.4 The equality forums were directly contacted and officer led events were held to explain the proposed changes and provide support in completing the survey. Literature was made available in 'easy read' and an event held at the CAB for the Deaf community with a British Sign Language interpreter available specifically to deal with questions around the proposed changes. Advice was sought from the Head of Communications and the Equality and Diversity Manager.

15. Consultations

15.1 The result of the consultation is briefly outlined below:

- The Council received 376 responses to the survey; of these 199 were only partially completed.
- 49% agreed the scheme should be changed, 19% didn't know and 32% said the scheme should not be changed.
- 71% of respondents were not currently claiming LCTS and 29% were currently claiming LCTS.
- 68% of respondents agreed that we should limit the number of children included in the calculation to 2 children, 19% believed that we should include all children and 13% didn't know. Concerns around this have been addressed as part of the EIA as this could affect the protected groups age (children) and sex

(female). In the first year there will be an automatic award of discretionary relief so no household will be worse off. Additional support and advice will be given to these families to sign post them to partner agencies where debt may be reduced or income increased. This proposal is to bring the LCTS scheme into line with other welfare benefits such as Universal Credit and Housing Benefit.

- A positive reaction was received from the proposal to not include income received from Carer's Allowance in the total income received figure. 73% agreed with this, 15% did not agree and 12% didn't know.
- A less positive response was the proposal to not include a deduction for other adults living in the property known as a non-dependant deduction. 54% agreed that the Council should do this, 32% thought we should make a deduction and 14% said they didn't know. However, to reverse this proposal would mainly affect those in Band 1 and this would detract from one of the major objectives of the scheme to help those on the lowest income. Additionally, there is an assumption that the non-dependant will make the contribution towards the council tax bill which in the event of non-payment would mean that the claimant/chargepayer would be pursued for the debt.
- A further area of concern was the proposal to restrict the capital limit to £6,000, 56% agreed, 33% disagreed and 11% didn't know. Comments in respect of this were mainly around penalising those who had worked hard and saved for unexpected expenditure. As a result of the consultation it is proposed that we increase the capital limit to £10,000 which will increase the cost of the scheme by £26,000.
- The consultation also asked if the council should introduce a minimum income floor for the self-employed after 1 year of trading. 69% agreed with this and 14% did not agree with a further 17% who didn't know. There will be protected groups that are affected by this change age (children) and sex (female). This again has been addressed within the EIA by not applying the minimum income floor where the claimant is a lone parent and they have child/children under 5.

16. Tackling health inequalities

16.1 Council Tax Support and other welfare changes could potentially widen health inequality. However, the proposed changes to the scheme are thought to have a broadly positive effect.

17. Risk Management Issues

17.1 There are a number of potential risks in making these changes and these risks have been assessed, and mitigating actions have been considered as follows:

Risk	Current Assessment	Mitigations	Target Assessment
For those small number of applicants detrimentally affected there could be impacts on their individual financial circumstances.	Green	Exceptional hardship funds will be automatically awarded so no claimant will be worse off than they were in 2019/20.	Green
Potential increase in costs	Green	Careful monitoring and	Green

Risk	Current Assessment	Mitigations	Target Assessment
to the tax base.		modelling will be undertaken throughout 2019 and into 2020 to ensure that the impacts are fully understood and reported.	

17.2 These risks are captured in the Business Unit’s operational risk register and will be routinely managed as part of standard risk management procedures.

18. Promoting equality and diversity and social inclusion

18.1 A full equality impact assessment (EIA) has been prepared to support the move to the new scheme and as part of the consultation we have contacted the relevant Equality Forums. A full EIA is provided in support of the final Cabinet report to members. Any issues identified have been addressed within the EIA.

18.2 An initial assessment of the proposed scheme has indicated that the groups adversely affected are age (children), sex (female) and the disabled. We have ensured that these forums formed part of the consultation.

18.3 The Council will continue to support potentially vulnerable claimants by maintaining the current income disregards plus giving additional disregards for those with disabilities and carers. Claimants experiencing extreme hardship will continue to be supported, wherever possible by the Council through the Council Tax Exceptional Hardship Scheme.

19. List of appendices

- Appendix 1 – Local Council Tax Support Scheme 2020/21
- Appendix 2 – Equality Impact Assessment.
- Appendix 3 – Financial Implications.
- Appendix 4 – Communications Plan.