

Report to	-	Cabinet
Date	-	2 July 2018
Report of the	-	Executive Director
Subject	-	Council Tax Reduction Scheme 2019/20

Recommendation: It be **RESOLVED:** That the proposals set out in this report for the Council Tax Reduction Scheme for 2019/20 financial year be approved for consultation.

Head of Service: Robin Vennard
Lead Cabinet Member: Councillor Lord Ampthill

Foreword

This matter was considered by the Overview and Scrutiny Committee (OSC) on 11 June and the resulting minute is attached at Appendix 2.

The report considered by the OSC is reproduced in its entirety as follows for Cabinet's consideration together with a copy of the detailed consultation documentation at Appendix 3 and the equalities impact assessment at Appendix 4.

Introduction and Background

1. The following report details the proposed changes to the Council Tax Reduction Scheme (CTRS) for the financial year 2019/20. These proposals are the result of work undertaken jointly by all the East Sussex Councils.
2. The roll out of Full Service Universal Credit (UC) within the East Sussex area has, as experienced in all other areas, brought a number of challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. Councils within areas where the full-service has already rolled out have experienced the following:
 - a. The reluctance of UC claimants to make a prompt claim for Council Tax Reduction leading to loss of entitlement;
 - b. The number of changes to UC cases received through the Department for Work and Pensions (DWP) data hub requiring a change to Council Tax Reduction entitlement. On average 40% of UC claimants have between eight and twelve changes per annum. These changes result in changes to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and
 - c. The increased costs of administration through multiple changes with significant additional staff and staff time being needed.
3. The existing CTRS within East Sussex are based on a means-test. As a result, the schemes are highly reactive to changes in an individuals'

circumstances. Continuing to operate on such a basis is not considered viable and a move to a new, more efficient approach from April 2019 is imperative.

4. Under the Council Tax Reduction provisions, the scheme for pensioners is determined by Central Government and 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. The proposals for changes to the scheme for 2019/20 will not affect the scheme for pensioners. The following outlines the broad proposals for the 2019/20 working age scheme.

The New Scheme Framework

5. Work has been underway since January 2018 to develop a new scheme framework that can be applied across all of the East Sussex District and Borough Councils. It is likely that in some areas, schemes may vary due to either demographics or local authority choice. However, an overarching framework has been developed, the main principles of which are detailed in Appendix 1. The most important change being proposed is to move to an income banded scheme. Based on a households' make-up (e.g. number of children), the amount of relief from Council Tax will vary depending on their income.
6. The aim of these proposals is to simplify the scheme, give greater certainty of the amount of Council Tax relief to those working age households where their income varies on a regular basis, e.g. those on zero hour contracts, and make it easier to administer. In particular, the proposals will address the problems associated with UC as follows:
 - a. **The scheme framework will require a simplified claiming process**

In the case of UC applicants *any* UC data received from the DWP will be treated as a claim for Council Tax Reduction. Where information is received from the DWP, the entitlement to Council Tax Reduction will be processed without the need to request further information from the taxpayer. This will have the following distinct advantages:

 - i. **Speed of processing** - claims will be able to be calculated promptly without the need to request further information which inevitably leads to delays;
 - ii. **Maximising entitlement to every applicant** - as there will no requirement for Universal Credit applicants to apply, entitlement to Council Tax Reduction will be maximised with a reduced risk of loss of discount or the need for backdating;
 - iii. **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 currently achieved.
 - b. **The income bands are wide avoiding constant changes in discount**

The current CTRS is very reactive and will alter even if the overall change to the person's liability is small (down to a single penny). With the impact of UC, this leads 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 – up to 12 in 12 months. A knock-on consequence, as experienced by those areas where Full Service UC has been introduced, is a reduction in Council Tax collection, which in some areas has been as low as 70%.

The new scheme, with its simplified income banding approach will have the following advantages:

- i. Only significant changes in income will affect the level of discount awarded; and
- ii. Council Tax payers who receive Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments.

c. A modern approach to changes in entitlement

The current CTRS is based on an old-fashioned benefit approach which alters entitlement on a weekly basis. The new scheme framework is designed to reflect a more modern approach: not only will the number of changes be reduced, where entitlement changes, it will be effective from the day of the change, rather than the Monday of the following week.

d. A simpler scheme

The current Council Tax Scheme documents are large, benefits based and unduly complex. The intention is to make the new scheme document simpler, reducing the level of complexity and more understandable to applicants.

Modelling the proposed scheme

7. Based on the modelling undertaken to date, the following matrix shows the likely income bands for Rother's scheme. The overall estimated costs of the new scheme are also shown with a comparison to the estimated expenditure of the current scheme. Officers have undertaken extensive modelling to arrive at these proposals and this work will continue over the coming months:

Band	% Discount	Single (Income level)	Couple (Income level)	+1 Child (Income level)	+2 (or more) Children
A	80%	£0 - £104.99	£0 - £144.99	£0 - £194.99	£0 - £244.99
B	72%	£105 - £154.99	£145 - 194.99	£195 - £244.99	£245 - £294.99
C	56%	£155 - 204.99	£195 - 244.99	£245 - £294.99	£295 - £344.99
D	40%	£205 - 249.99	£245 - £289.99	£295 - £339.99	£345 - 389.99

Existing scheme costs (Working Age & Pension Age)	£6,330,945
New scheme estimated costs (Working Age & Pension Age)	£6,200,136
Existing scheme – Number of claimants	5,755
New scheme – Number of claimants	5,883

8. The initial modelling has shown that the overall costs of the scheme can be largely maintained thus meeting one of the key principles. However currently the modelling shows two main groups would see a reduction in their awards:
 - a. Families who have greater than two children; and
 - b. Certain disabled applicants or applicants who have a disabled child.
9. In the case of 8a. above, this is to be expected as the scheme limits the award in such cases. This is in line with Central Government benefits for working age claimants including Housing Benefit, Universal Credit and Tax Credits, all of which were changed in 2016. It is also in line with changes made by Central Government to the Council Tax Reduction scheme for Pension Age claimants which restricted entitlement to those pensioner families who have more than two children residing with them. This was effective from April 2018.
10. As this would bring the Council Tax Reduction scheme into line with Central Government benefits, it is recommended that this should remain part of the proposed scheme.
11. In the case of 8b. above, changes will be made to the scheme to avoid these claimants having a reduction in their awards and discussions are ongoing with software providers to enable changes in the schemes to mitigate this.
12. It should be recognised that any change will result in winners and losers compared to the current scheme. As such modelling is continuing and this will allow the scheme to be fine-tuned over the summer and autumn time. Officers aim to minimise any reduction in award for the most vulnerable claimants whilst maintaining overall scheme costs to the current level.

Exceptional Hardship Policy

13. The current scheme makes provision for taxpayers to make an application for additional discounts where they experience exceptional hardship. It is proposed that the new scheme framework will contain the same provisions to protect individuals who experience exceptional hardship. Where any group of person is likely to experience hardship, this will be addressed as part of the overall scheme design. It is expected that the Exceptional Hardship Policy will continue to be an integral part of the all East Sussex schemes for the foreseeable future.

Care Leavers

14. As part of the joint work the County Council asked the districts and boroughs to consider giving 100% Council Tax discount to care leavers. It is expected that this will benefit a small number of 18 to 25 year olds across the County. This followed a national campaign by the Children's Society and is supported by an increasing number of Councils across the country. This can be achieved in a number of ways, and is intended that the cost will be borne by the Collection Fund. In this way the cost will be shared in proportion with the split in council tax between the County Council (74%), the district council (12.4% including parishes), police and crime commissioner (8.8%) and fire authority (4.8%).

Consultation and Approval timetable

15. As the proposals are a fundamental change to the current approach, full consultation is required with Precepting Authorities and with the public. The public consultation will include support agencies such as Citizens Advice and Hastings Advice and Representation Centre.
16. It is intended that the detailed consultation documentation will be finalised during June and approved by Cabinet at its meeting on the 2 July 2018. The documentation will include an equalities impact assessment. The consultation will last 12 weeks and the outcome will be reported to this committee on the 15 October 2018. Members will have the opportunity to modify the proposals in light of the consultation and the updated modelling and make recommendations to Cabinet for onward approval by Full Council in December 2018.
17. Members are asked to support the proposals in this report and recommend them to Cabinet for the purposes of the consultation.

Malcolm Johnston
Executive Director

Risk Assessment Statement

There are no risks arising from this report for the Council. By following the consultation process outlined in this report the Council will minimise the risk of any challenge to the 2019/20 CTR scheme. Whilst the proposals are intended to be broadly cost neutral when compared to the current scheme, as the proposals are developed in detail or modified following consultation, the cost of the scheme could increase.

The New Scheme Framework - Principles of the Framework

- a. The overall expenditure of the schemes will remain as at present;
- b. The changes can only be made to the working age schemes as the current schemes for pensioners is prescribed by Central Government;
- c. The current means tested schemes will be replaced by a simple income grid model as shown by the following example:

Band		Single (Income level)	Couple (Income level)	+1 Child (Income level)	+2 (or more) Children
A	%	£0 -	£0 -	£0 -	£0 -
B	%				
C	%				
D	%				

- d. The levels in each grid will be determined for each authority based on:
 - iv. Overall expenditure of scheme;
 - v. Ensuring maximum number of applicants are protected; and
 - vi. Ensuring that any losses to individual applicants are minimised.
- e. It is proposed that the highest level of discount will be set at the current maximum level of liability within each of the authorities (currently 80% for Rother) and that 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 available discount;
- f. The levels for all other bands have been determined during the modelling process – this is an ongoing process and will be undertaken regularly through the year to ensure that the final decision taken by Full Council in December 2018 is as accurate as possible and protects applicants from significant change (either positive or negative);
- g. The scheme framework allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants;
- h. Where an applicant has non-dependants living with them, no deduction shall be made from any entitlement. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low income families where, for example, adult sons or daughters remain at home;
- i. To promote work incentives the existing earnings disregards (£5 for single claimants, £10 for couples and disabled claimants) will be increased to a standard £25 per week disregard across all applicant types;

- j. Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded. In addition, the Support Component of Employment and Support Allowance and Carer's Allowance will also be disregarded, again providing additional protection to vulnerable groups within the scheme;
- k. Child Benefit and Child maintenance will continue to be disregarded within the schemes;
- l. The total disregard on war pensions and war disablement pensions will continue;
- m. It is proposed that the capital limit used for each authority will be in line with the current schemes; and
- n. Extended payments and the complicated Student provisions will be removed;
- o. Self-employment – the provisions of the current Rother scheme will continue into the new scheme, namely that Council Tax Reductions for claimants who have been self-employed for more than 12 months is calculated using a Minimum Income Floor (MIF). The Minimum Income Floor is an assumed level of earnings and is based on the National Minimum/Living Wage, multiplied by 35 hours less a notional deduction for tax and national insurance.

Minute Extract from Overview and Scrutiny Committee Meeting – 11 June 2018

OSC18/06. COUNCIL TAX REDUCTION SCHEME 2019/20

The Committee received the report of the Executive Director detailing the proposed changes to the Council Tax Reduction Scheme (CTRS) for the financial year 2019/20. The proposals were the result of work undertaken jointly by all the East Sussex Councils.

The Chairman welcomed Chris Watchman, Revenue and Benefits Manager, to the meeting who provided a presentation to Members on the CTRS.

The scheme initially replaced Council Tax Benefit in April 2013 to support low income residents with their Council Tax. It was designed and administered locally for working age residents only; support for pension age residents was set by the Government. The scheme continued in operation for 2014/15 and 2015/16. In 2016, the maximum amount of Council Tax Reduction (CTR) that could be claimed was reduced to 80% of a resident's Council Tax liability, resulting in all residents paying at least 20%. If the applicant had been self-employed for more than 12 months, the reduction in their Council Tax was calculated using a Minimum Income Floor (MIF). This scheme continued in operation for 2017/18 and 2018/19.

It was explained that the current CTRS within East Sussex is based on a means-test. As a result, the scheme is highly reactive to changes in an individual's circumstances which can happen as often as eight to ten times per year. This has led to a significant increase in claims being reassessed and revised demand notices sent out. A reluctance of residents to make a claim had become apparent, often resulting in a loss of benefit. Continuing to operate on such a basis was not considered viable.

The overall expenditure of the proposed scheme would remain broadly the same as the existing. The most important change proposed was to move from the means-tested scheme to an income-banded scheme, with the highest level discount remaining at 80%. Based on a household's make-up (e.g. number of children), the amount of relief from Council Tax would vary depending on income. No non-dependant deductions would be made; a significant change resulting in a scheme that would be easier to administer. Earning incentives would be created, with a £25 per week earned income disregard, income from Disability Benefits would also be disregarded and income from self-employment would continue to be calculated by way of the MIF.

Members were presented with a proposed grid to be used in the calculation of CTR, showing four income bands. The wide bands would eliminate the need to recalculate a claim due to small changes in income, such as for overtime worked, therefore gave greater certainty of the amount of Council Tax relief to those working age households where income varied on a regular basis.

Following the presentation, Members had an opportunity to put forward questions and the following points were noted during the discussion:

- Other changes to welfare benefits, such as bedroom tax, may impact a claim. The scheme could not be looked at in isolation.
- The proposed new scheme framework would be applied across all of the East Sussex District and Borough Councils. However, it was likely that in some areas, schemes may vary due to either demographics or local authority choice.
- The proposed framework contained the same provisions to protect individuals who experienced exceptional hardship as in the current scheme. Where any group or person was likely to experience hardship, this would be addressed as part of the overall scheme design. It was expected that the Exceptional Hardship Policy (EHS) would continue to be an integral part of the all East Sussex schemes for the foreseeable future, but as few claims had been received in the past, advertising would be a focus.
- As part of the joint work, East Sussex County Council had asked the districts and boroughs to consider giving 100% Council Tax discount to care leavers. This followed a national campaign by the Children's Society and was supported by an increasing number of Councils across the country. This could be achieved in a number of ways and it was intended that the cost be borne by the Collection Fund with a small cost to this authority. Acceptance would also be required from the Police and Crime Commissioner and Fire Authority, but it was recommended that the scheme be adopted.
- The roll out of Full Service Universal Credit within the East Sussex area had, as experienced in all other areas, brought a number of challenges to both the administration of CTR and also the collection of Council Tax generally.
- The current modelling showed two main groups that would see a reduction in their awards, namely families who had greater than two children and disabled households. In the case of the latter, changes would be made to the scheme to avoid these claimants experiencing a reduction in their discount. The EHP could be used as a fall back, which made provision for taxpayers to make an application for additional discounts where they experienced exceptional hardship. The proposed new scheme framework would contain the same provisions to protect individuals who experienced exceptional hardship.

The Chairman thanked Chris Watchman for attending the meeting and providing an informative presentation.