

Item

REVIEW OF COUNCIL TAX REDUCTION SCHEME



To:

Councillor Richard Robertson, Executive Councillor for Finance and Resources

Strategy & Resources Scrutiny Committee 01/07/2019

Report by:

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Wards affected:

All

Key Decision

1. Executive Summary

- 1.1 Councils are required to review their Council Tax Reduction scheme annually and determine whether to revise it or not. It is appropriate for the Council to review its arrangements to ensure they are fully aligned with Universal Credit.

2. Recommendations

- 2.1 The Executive Councillor is recommended: To agree outline proposals and consultation process for the review of the local Council Tax Reduction Scheme.

3. Background

- 3.1 The local Council Tax Reduction scheme has been in place since April 2013 and has worked extremely well alongside Housing Benefit.

- 3.2 However, as the number of Housing Benefit recipient declines (due to claimants moving to Universal Credit), there are issues with the interaction between Universal Credit and the Council Tax Reduction scheme that will cause serious complications for customers, and issues in terms of administration of the scheme.
- 3.3 When a claimant is in employment, their Universal Credit award will be recalculated every month based upon real time information received from Her Majesty's Revenue and Customs (HMRC) detailing their gross and net earnings for that period.
- 3.4 As the current Council Tax Reduction scheme uses the DWP's assessment of the claimant's income to determine entitlement, there is no option but to recalculate a Universal Credit claimant's entitlement every month, leading to a new benefit letter and Council Tax bill each time we receive this.
- 3.5 To continue with this process would lead to customer confusion about Council Tax instalments and could impact on our ability to enforce payment, as Council Tax Reduction could be recalculated up to 12 times in a year.
- 3.6 As more people claim Universal Credit, it is important that the Council Tax Reduction scheme is adapted to ensure both Universal Credit and legacy benefit claimants are treated fairly moving forward.
- 3.7 The current approach is not sustainable in terms of service delivery and scheme redesign should be considered so that is simpler to understand and less burdensome to administer.
- 3.8 These issues can be mitigated by introducing a new Council Tax Reduction scheme for Universal Credit claimants (working-age).
- 3.9 The proposal is to introduce a scheme for Universal Credit claimants to be put into one of several income bands. The amount of reduction in Council Tax for each claimant will not change as long as their earnings remain within that band.
- 3.10 The DWP has stated that they anticipate the managed migration of existing benefit claimants will be completed by 2023, but it is likely we will see a significant proportion of our working age Council Tax Reduction caseload on Universal Credit prior to this date. This is

because so many of our working age claimants have variations in their circumstances (such as changes of employment or some household changes) which trigger an immediate move to Universal Credit before they are selected for the move.

- 3.11 Although full service Universal Credit was only launched in Cambridge in October 2018, approximately 10.25% of our working age Council Tax Reduction caseload is already in receipt of Universal Credit.
- 3.12 An income banded scheme that looks purely at a claimant's (and their partner's) earnings might look something like that shown in the table at 5.2. This banding is intended to result in the Council awarding similar levels of Council Tax Reduction as under the current scheme.
- 3.13 A change in income that results in movement between bands would lead to a reassessment in Council Tax Reduction:
- 3.14 Non-dependants are other adults living in a property along with the claimant, partner and dependant children.
- 3.15 Streamlining non-dependant deductions for all Universal Credit claims to a flat monthly contribution provides clarity to people making a Council Tax Reduction claim of the amount that other adults should be contributing toward for the services that are provided. Some individuals will be protected from deductions.

4. Implications

- 4.1 This simplified scheme will be easier for customers to understand and will assist with personal budgeting.
- 4.2 Making no change to the existing scheme would lead to confusion for Universal Credit claimants who also claim Council Tax Reduction.
- 4.3 Customer and partner earnings figures are provided electronically via DWP from the Universal Credit claims process and would allow automation of the claims process, thereby reducing administration costs.
- 4.4 The current scheme requires reassessment of a customer's entitlement to Council Tax Reduction every time their Universal Credit changes,

which may be every month, with additional costs relating to printing and postage, and significant confusion for customers.

- 4.5 An income banded scheme would mean that the vast majority of changes in customers' earned income will not change their Council Tax Reduction.
- 4.6 A banded scheme would be more transparent for customers.
- 4.7 There would be a very small number of customers with either increased or reduced entitlement, but most will see little change.
- 4.8 Performance in the Benefits and Council Tax teams remains very strong. Council Tax in-year collection rate for 2018/19 was the best Cambridge has seen since Council Tax was introduced. In order to maintain healthy collection rates, revision of the current scheme should be reconsidered.

a) Financial Implications

- 4.9 The cost of the current Council Tax Reduction is £6.77m during 2019-2020, with £4.5m being for working-age claimants.
- 4.10 The aspiration of the new scheme is to keep total awards within the above figures, subject to any annual increase in Council Tax.
- 4.11 Failure to adopt a streamlined scheme will increase costs due to the Universal Credit impact workload growth, whilst overall central government funding (from Department for Work and Pensions and Ministry of Housing, Communities and Local Government) is expected to reduce due to the transference of housing cost support from Housing Benefit to Universal Credit. Page: 4

b) Staffing Implications

- 4.12 Streamlining the claiming process and significantly reducing the number of changes that lead to a change in entitlement will mean that over time there will be a reduction in staffing numbers.
- 4.13 This is not likely to be until 2021/2022, when sufficient working age claimants have migrated onto Universal Credit.

c) Equality and Poverty Implications

4.14 An Equality Impact Assessment will be undertaken as part of the review.

d) Environmental Implications

4.15 Nil.

e) Procurement Implications

4.16 None.

f) Community Safety Implications

4.17 None.

5. Consultation and communication considerations

5.1 Consultation will be carried out during July, August and September 2019, with an aspiration for 12-week period of consultation and will follow the Council's Code of Practice on Consultation. This will include, but not exclusive to:

- Current working age Council Tax Reduction recipients.
- Partnership meetings with Citizen's Advice, Department for Work and Pensions, financial inclusion organisations and third sector organisations.
- Engagement with internal stakeholders.
- A sample of Council Tax payers, including those not receiving Council Tax Reduction.
- Council Tax Precepting Authorities.
- Groups representing those with protected characteristics.
- Media exposure including City Council publications.

5.2 The consultation will give indicative income band figures that show what contribution is required based on net earnings and household make-up. An *example* of the proposed bands are below:

Universal Credit Claimant – Current Indicative figures	
Not in work or earning less than £285 per month	Claimant pays towards Council Tax - £0 per month
Earning between £285 and £574.99 per month	Claimant pays towards Council Tax - £25 per month
Earning between £575 and £1099.99 per month	Claimant pays towards Council Tax - £75 per month
Earning between £1100 and £1749.99 per month	Claimant pays towards Council Tax - £130 per month
Earning between £1750 and £2249.99 per month	Claimant pays towards Council Tax - £180 per month
Earning between £2250 and £2749.99 per month	Claimant pays towards Council Tax - £230 per month
Earning over £2750 per month	Claimant pays Council Tax in full

5.3 The consultation will explain that the reason for change is due to the current scheme no longer aligns with changes to national welfare benefits, and will outline key issues including:

- Fluctuating earnings will lead to changes to Universal Credit entitlement, which in turn will result in changes to Council Tax Reduction with increased numbers of Council Tax bills and reduction notification letters.
- The proposed scheme will significantly reduce the need for customers to contact the Council.
- A simplified scheme will be easier for customers to understand and will assist with personal budgeting.
- Increased collection costs because regular instalments will not be able to be set.
- Increased administration costs in reassessing entitlement due to small changes in income that produce marginal changes in Council Tax Reduction.

5.4 Alternatives to the proposed scheme may mean the Council will have to look to increase funding for administration of the scheme as national administration grants are reducing. There will also be increased collection costs which will impact the Council's budget.

6. Background papers

6.1 Background papers used in the preparation of this report:

None

7. Appendices

7.1 Consultation document – to follow

Inspection of papers

8.1 To inspect the background papers or if you have a query on the report please contact Naomi Armstrong, Benefit Manager: 01223 - 457752, email: naomi.armstrong@cambridge.gov.uk.