

Item

## REVIEW OF COUNCIL TAX REDUCTION SCHEME

**To:**

Councillor Richard Robertson, Executive Councillor for Finance and Resources

Strategy & Resources Scrutiny Committee 7/10/19

**Report by:**

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**Wards affected:**

All

Key Decision

### 1. Executive Summary

1.1 This review and report seeks to deliver three primary objectives:

- Move towards a scheme that is more adaptable to Universal Credit regulations.
- Provide clarity to Universal Credit claimants as to what their entitlement to Council Tax Reduction will be.
- Mitigate against expected reduction in Government administration grants for processing Council Tax Reduction claims.

### 2. Recommendations

The Executive Councillor is asked to recommend to Council that:

2.1 The proposed localised Council Tax Reduction schemes (as set out in this report) are put forward to Full Council for its approval at the meeting to be held on 17 October 2019.

## Summary of key recommendations from April 2020:

2.1.1 To adopt earnings based banded local Council Tax Reduction scheme for Universal Credit claimants and to have fixed non-dependant deductions for these claims.

2.1.2 To continue with the current Council Tax Reduction scheme (to include annual uprating) for working age claimants who are not in receipt of Universal Credit.

2.1.3 To agree uprating equal to September CPI for income bands, amounts to pay and non-dependant bands and deductions.

2.1.4 To approve delegation of the Council Tax Reduction schemes annual review to the Head of Revenues and Benefits, and subject to the above recommendations being adopted, that these schemes continue (subject to uprating) until March 2023.

2.1.5 To provide transitional protection for households transferring to the banded scheme on 1 April 2020.

## **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 recipients 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 Following Strategy and Resources Scrutiny Committee on 1 July 2019, a consultation (Appendix A) was started on 5 July 2019, concluding on 8 September 2019, which sought views on the proposals to revise the Council Tax Reduction scheme for Universal Credit claimants, where entitlement to a reduction would be based on their income from earnings.

- 3.4 The consultation explained that the reason for change is due to the current scheme no longer aligning with changes to national welfare benefits, and outlined key issues.
- Fluctuating earnings will lead to monthly changes to Universal Credit entitlement, which in turn will result in monthly changes to Council Tax Reduction with increased numbers of Council Tax bills and notification letters.
  - A simplified scheme will be easier for customers to understand and will assist with personal budgeting.
  - Other additional incomes, including Universal Credit, disability incomes, child benefit, will be completely disregarded.
  - The proposed scheme will significantly reduce the need for customers to contact the Council.
  - Increased administration costs in reassessing entitlement due to small changes in income that produce marginal changes in Council Tax Reduction.
- 3.5 The consultation also asked for views on the introduction of a fixed contribution from non-dependants for Universal Credit claimant households and views on the scope and period of transitional protection for Universal Credit claimants moving from the current scheme to the new proposed scheme. Results of the consultation are attached at Appendix B.
- 3.6 Alternatives to the proposed scheme have been considered, including continuation of the existing scheme, but these alternatives would mean the Council would have to look to increase funding for administration of the scheme, as national grants for this administration are reducing. To do nothing was not supported by the consultation.

## **4. Consultation responses**

- 4.1 71% agreed that the Council should have a different set of rules to decide Council Tax Reduction of people on Universal Credit. 10% disagreed.
- 4.2 10% of the responses were from people currently on Universal Credit.

- 4.3 43% of responders indicated they were in a household identified as vulnerable with the most widespread being a disabled household.
- 4.4 62% of responders were Cambridge residents.
- 4.5 32% of respondents felt the bands proposed were about right, 5% thought they should be higher but 41% thought they should be lower.
- 4.6 52% of respondents indicated that they were in favour of fixed contribution amounts for non-dependants with 14% disagreeing, although no alternatives were suggested. Deduction for some vulnerable households or individuals will be excluded. It is appreciated that it may be difficult for some householders to get the non-dependant to contribute, but this is an existing issue and individual cases will be looked at.
- 4.7 Over 90% believed that where support dropped by more than £5 under the proposed rules, that there should be some sort of transitional protection. One comment suggest that protection should be up to a year but not necessarily at 100%.

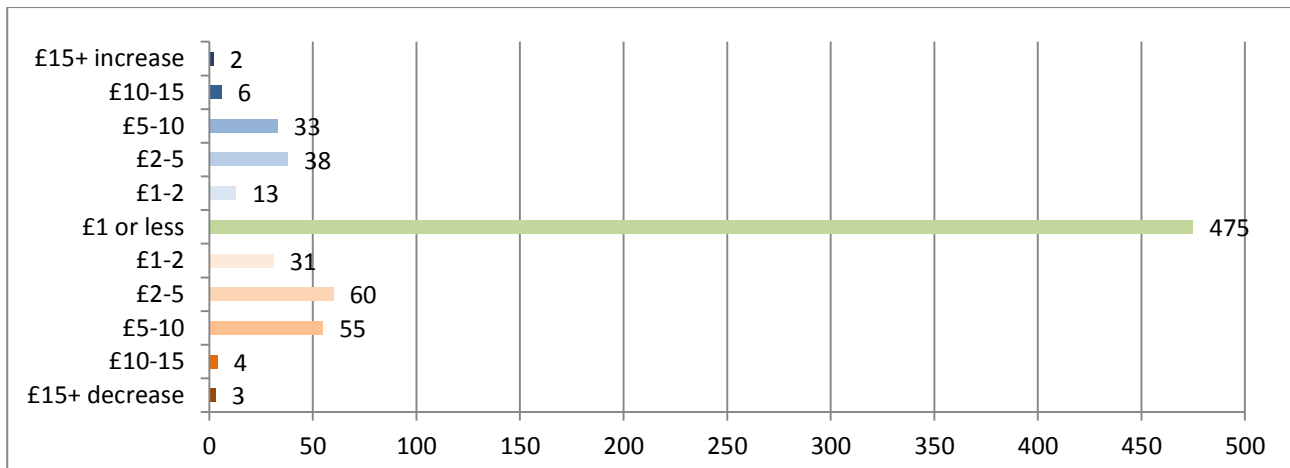
## 5. Recommendations following consultation

- 5.1 Taking onboard comments from the consultation and following further modelling of the scheme, the income bands and the amount to pay have changed to recognise common income levels (including national minimum wage) and earning patterns including part-time, full-time and fluctuating contracts. These amendments to the bands produced the least numbers of changes in awards.

Not in work or earning less than £316 per month	Claimant pays towards Council Tax - £0 per month
Earning between £316 and £519.99 per month	Claimant pays towards Council Tax - £25 per month
Earning between £520 and £769.99 per month	Claimant pays towards Council Tax - £50 per month
Earning between £770 and £997.99 per month	Claimant pays towards Council Tax - £75 per month
Earning between £998 and £1180.99 per month	Claimant pays towards Council Tax – up to £125 per month
Earning between £1181 and £2749.99 per month	Claimant pays towards Council Tax – up to £175 per month
Earning over £2750 per month	No CTR - Claimant pays Council Tax in full

- 5.2 The current working age caseload is 4,150 and it is anticipated that all customers will have moved onto Universal Credit by 2023. The graph below shows the financial impact of applying the proposed scheme to

the 720 Universal Credit claimants receiving Council Tax Reduction as at August 2019.



5.3 Following feedback from the consultation, most agreed that transitional protection should apply where support drops by more than £5 per week. It was also suggested that the length of transitional protection should be increased; therefore this has been changed from 3 to 6 months, and enhanced for the groups below, from 6 to 12 months:

- Care Leavers under 25
- Families with dependant children under 5
- Households where claimant, partner or dependant children have disability benefits
- Households where claimant or partner have war pensions or Armed Forces Independent Payment incomes

5.4 It is proposed that the earnings bands and levels of contributions due should be increased each year by CPI as at the previous September.

## 6. Non Universal Credit Households

6.1 Working age households not in receipt of Universal Credit will continue to have Council Tax Reduction calculated under the current scheme, as this continues to work well with Housing Benefit.

6.2 Applicable amounts and premiums will continue to reference those amounts used in Housing Benefit and deductions for non-dependants will increase by CPI as at September each year.

## 7. All Households

- 7.1 Vulnerable households, defined in the current Council Tax Reduction scheme, will continue to receive protection from reductions in the future.
- 7.2 The prescribed requirements regulations are updated yearly to take account of changes to the Department for Work and Pensions' (DWP) Housing Benefit Regulations and wider policy measures. However, aside from including the amended prescribed requirements each year, there is no statutory obligation for a billing authority to revise or replace its local Council Tax Reduction scheme, but there is an obligation to consider this.
- 7.3 It is recommended that this annual consideration be delegated to Head of Revenues and Benefits, and that the Schemes continue until March 2023 (with annual uprating changes) unless the consideration identifies a need to revise or replace at an earlier date. In that instance, the matter will be brought to Strategy and Resources with recommendations to Council. In any event, Schemes will be brought to Strategy and Resources for April 2023 for review. This recognises the end of the roll out of Universal Credit, which is currently anticipated to be during 2023.

## **8. Implications**

- 8.1 This simplified scheme will be easier for customers to understand and will assist with personal budgeting.
- 8.2 Making no change to the existing scheme for Universal Credit claimants would lead to confusion when claiming Council Tax Reduction.
- 8.3 Customer and partner earnings figures are provided electronically via the DWP from the Universal Credit claims process and would allow automation of the claims process, thereby reducing administration costs.
- 8.4 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, causing significant confusion for customers and unavoidable customer contact.
- 8.5 An income banded scheme would mean that for the vast majority of changes in customers' earned income would not result in a change to

their Council Tax Reduction and would be more transparent for customers.

- 8.6 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 adopted.

#### **a) Financial Implications**

Current estimated expenditure of Council Tax Reduction for 2019-2020 is £6.667m, with £4.5m of this being for working-age claimants.

The aspiration of the new scheme is to keep total value of awards within the above figures, subject to any annual increase in Council Tax. Modelling suggests that with the introduction of the banded scheme for Universal Credit claimants and retaining the current scheme for non-Universal Credit claimants will cost an estimated £6.698m (including transitional protection).

Early modeling also suggests that if all working age households had their Council Tax Reduction assessed under the new earnings bandings, expenditure would be an estimated £6,658m.

Council Tax Reduction caseload is reducing slightly by approximately 100 per year across working age and pensioner households.

Failure to adopt a streamlined scheme will increase administration costs due to the increase in work associated with calculating Universal Credit claims under the current scheme, whilst overall central government funding (from Department for Work and Pensions and Ministry of Housing, Communities and Local Government) is expected to reduce. Page: 7

#### **b) Staffing Implications**

As the implications of this new scheme unfolds, a fundamental service review will be required.

This is not likely to be until 2021/2022, when sufficient working age claimants have migrated onto Universal Credit and the timetable for managed migration of remaining caseload to Universal Credit is known.

**c) Equality and Poverty Implications**

An Equality Impact Assessment is attached at Appendix C.

**d) Environmental Implications**

Nil.

**e) Procurement Implications**

None.

**f) Community Safety Implications**

None.

**9. Consultation and communication considerations**

Consultation has been carried out, see Appendix A.

Groups consulted were:

- All working age Council Tax Reduction claimants.
- Citizens Advice
- Council Tax Preceptors – Cambridgeshire County Council, Cambridgeshire Fire and Rescue and Cambridgeshire Police.
- Third Sector organisations including social landlords.

Additionally, press release, Twitter updates, notices on inbound telephone and outgoing emails from Revenues and Benefits, publicised the consultation.

**10. Background papers**

Background papers used in the preparation of this report: None

**11. Appendices**

Appendix A - Consultation proposals



Appendix B - Consultation responses  
Appendix C – Equality Impact Assessment

### **Inspection of papers**

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](mailto:naomi.armstrong@cambridge.gov.uk).