

# Cabinet



Date of meeting:	14 January 2020
Title of Report:	<b>Council Tax Support (CTS) Scheme 2020/21</b>
Lead Member:	Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development)
Lead Strategic Director:	Andy Ralphs (Strategic Director of Customer and Corporate Services)
Author:	Emma Rose (Strategic Development Manager)
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Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

To consider the proposed changes to the Council Tax Support Scheme for implementation on 1 April 2020.

## Recommendations and Reasons

1. Cabinet recommends Council approves the ten proposed changes to the Council Tax Support Scheme for 2020/21 as described in this report
2. To amend the council tax exceptional hardship policy to support customers in the event that they are no longer entitled to council tax support under the new scheme

## Alternative options considered and rejected

1. Retain the existing Council Tax Support Scheme
2. Remove or change one or more of the proposals consulted on

## Relevance to the Corporate Plan and/or the Plymouth Plan

The income generated from council tax contributes to the delivery of council, police and fire services. As such, it is an integral part of supporting the delivery of the Corporate Plan. Providing a council tax support scheme and associated exceptional hardship policy that supports our most financially vulnerable residents, contributes to our values of fairness and vision of being a caring organisation.

## Implications for the Medium Term Financial Plan and Resource Implications:

The council tax support scheme changes the amount of revenue that Plymouth City Council can collect, by reducing the liability for those eligible for support. If the proposals are fully implemented, modelling based on the existing customer caseload results in no significant change to council tax revenue.

The annual cost of the current CTS scheme is £17 million of which £9.3 million relates to working age claimants. It is anticipated that there will be no significant increase in expenditure under the new scheme. Final costs will be calculated once the Council Tax levels for 2020/21 have been set by full Council and existing caseload has been migrated to the new scheme.

There will be no significant financial impact to the Council or the Major Precepting Authorities (Devon and Somerset Fire & Rescue and Devon and Cornwall Police).

If a customer is no longer entitled to CTS under the new scheme, a council tax exceptional hardship application will be considered and, if approved, will be met by the collection fund as it is now.

### **Carbon Footprint (Environmental) Implications:**

No direct carbon/environmental impacts arising from the recommendations

### **Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:**

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Changes to the scheme may change the level of financial support to families with children and impact on child poverty. Modelling of the new scheme has been carried out to ensure children are not adversely affected. This should be considered against a background of wider welfare reforms and also against the Plymouth child poverty action plan

Schedule IA (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:

*For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme. The authority must make any revision to its scheme, or any replacement scheme, no later than 11th March in the financial year preceding that for which the revision or replacement scheme is to have effect*

In addition, where there are changes to the scheme the authority is obliged, under Schedule IA (5) (4), if any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit. The new scheme will inevitably change the amount of entitlement for some applicants. Where any award is reduced, applicants will be able to apply for an exceptional hardship payment.

### **Appendices**

*\*Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		<i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Council Tax Support Scheme 2020/21							
B	Equalities Impact Assessment							
C	Exceptional Hardship Policy							

**Background papers:**

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7

**Sign off:**

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Originating Senior Leadership Team member: Faye Hambleton Service Director for Customer Services and Service Centre											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 07/01/2020											
Cabinet Member approval: Approved verbally by Councillor Penberthy (Cabinet Member for Housing and Co-operative Development)											
Date approved: 07/01/2020											

## **1. BACKGROUND**

- 1.1 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013. Under the Council Tax Reduction provisions the scheme for pensioners is determined by Central Government and they broadly receive the same level of support that was previously available under the Council Tax Benefit scheme. The scheme for working age applicants is determined by the Council.
- 1.2 Each year local authorities must review how much reduction in council tax is given to people of working age on a low income. This is published as a council tax reduction scheme, also known as the council tax support (CTS) scheme. Plymouth City Council's current scheme is available on our website  
<https://www.plymouth.gov.uk/sites/default/files/Plymouth%20SI3A%20201920%20Scheme%20v1.2.pdf>.
- 1.3 The current scheme for working age applicants is broadly based on the previous, means tested Council Tax Benefit with customers paying a minimum of 20% towards their council tax liability.
- 1.4 There are 20251 people currently receiving CTS in the Plymouth City Council area, of which 60 per cent (12,122) are working age. Of those receiving CTS under the current working age scheme 86 per cent (10,486) are receiving the maximum 80 per cent award. The gross cost of the scheme in 2019-20 is just over £17million of which 9.3 million related to working aged.

## **2. CTS SCHEME & UNIVERSAL CREDIT**

- 2.1 CTS schemes must be reviewed each year. Changes were made to the CTS scheme for the 2017/18 financial year to align it better with Universal Credit. This was to make it easier for customers to understand the scheme, as there will be similar criteria in Housing Benefit and Universal Credit. Additionally, using the same criteria in the CTS scheme should make it simpler, more efficient and less costly to run.
- 2.2 Since 2017/18 Universal Credit has continued to roll out in the city and now there are a higher proportion of working customers in receipt of that benefit. This brings a number of challenges to both the administration of the CTS scheme and the collection of council tax generally. This is an experience common across local authority areas and includes the following issues:
- 2.2.1 The reluctance or delay of Universal Credit claimants to make a prompt claim for CTS, leading to loss of entitlement and difficulty paying their full council tax liability
- 2.2.2 A high number of changes to Universal Credit cases are received from the Department for Work and Pensions (DWP) requiring a change to CTS entitlement. On average 40% of Universal Credit claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to council tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection
- 2.2.3 Multiple changes in UC causing multiple changes to CTS, more frequent council tax bills containing relatively small changes which cause difficulties for customers when managing their household budgets
- 2.2.4 The increased costs of administering multiple changes
- 2.3 It is clear that the existing means tested CTS scheme, which is very reactive to changes in income, is becoming increasingly unviable as Universal Credit continues to roll out. The move to a new, more efficient and customer friendly scheme from April 2020 is now imperative.

### 3. THE 2020/21 CTS SCHEME

3.1 If agreed by Council, the new scheme will be implemented from 1 April 2020. The new scheme has a number of features as follows:

- 3.1.1 The overall expenditure (cost) of the scheme will remain broadly as at present;
- 3.1.2 The changes can only be made to the working age schemes as the current scheme for pensioners is prescribed by Central Government;
- 3.1.3 The current means tested scheme will be replaced by a simple income grid model as shown below and referred to as **Proposal 1** in the consultation:

Household Group	Support and Weekly Income Bands				
	Band 1	Band 2	Band 3	Band 4	Band 5
	80%	60%	40%	20%	0%
Single with no dependant	£0-£80.00	£80.01-£130.00	£130.01-£180.00	£180.01-£260.00	£260.01 +
Couple with no dependant	£0-£120.00	£120.01-£170.00	£170.01-£220.00	£220.01-£300.00	£300.01 +
Household with at least one dependant aged under 5	£0-£250.00	£250.01-£300.00	£300.01-£400.00	£400.01-£550.00	£550.01 +
Household with one dependant	£0-£200.00	£200.01-£250.00	£250.01-£350.00	£350.01-£450.00	£450.01 +
Household with more than one dependant	£0-£250.00	£250.01-£300.00	£300.01-£400.00	£400.01-£550.00	£550.01 +
War Pensioners	£0-£500				
In receipt of a passporting benefit*	Passporting benefit				

3.2 Nine additional changes are proposed to further simplify administration of the scheme:

- **Proposal 2** - Introducing a standard weekly non-dependant deduction instead of the current tiered system
- **Proposal 3** - Support incentives to work by ignoring the first £25 of earnings where there is a dependent child in the household. Currently the amount of earnings ignored is different for couples with children at £10 and lone parents £25
- **Proposal 4** - Encourage planning for the future by ignoring the total amount of any contribution made to a pension from earnings. Currently only 50% of any contribution is ignored as earnings
- **Proposal 5** - An extra amount of £50 of household income will be ignored if someone in the household is disabled where a qualifying disability benefit is in payment
- **Proposal 6** - To ignore any income from Carer's Allowance
- **Proposal 7** - To ignore up to 100 per cent of any housing costs included in Universal Credit payments
- **Proposal 8** - To ignore any income from Bereavement Support payments
- **Proposal 9** - To remove the requirement to show continuous good cause before backdating an award of Council Tax Support by up to 6 months. Instead we will consider all the circumstances of the case
- **Proposal 10** - To make all changes in circumstances which would change the amount of Council Tax Support on a daily basis rather than the current weekly basis.

#### 4. ADVANTAGES OF THE NEW SCHEME

4.1 The simplicity of the proposed new scheme and by taking an approach more in line with a council tax discount rather than a benefit, addresses some of the challenges associated with Universal Credit as follows:

- 4.1.1 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
- 4.1.2 The income bands are sufficiently wide to avoid constant changes in discount. The current CTS scheme is very reactive and will alter even if the overall change to the customer's liability is small. This is leading to frequent changes in council tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of council tax demands. The effect of this is that council tax collection is reduced.
- 4.1.3 Only significant changes in income will affect the level of discount awarded
- 4.1.4 Council Taxpayers who receive CTS will no longer receive multiple council tax demands and adjustments to their instalments.
- 4.1.5 The new scheme is designed to reflect a more modern approach where any CTS award changes, it will be effective from the day of the change rather than the Monday of the following week.

## 5. TRANSITIONAL ARRANGEMENTS

- 5.1 Any change in the CTS scheme may result in a change in entitlement for individual applicants. Whilst the new scheme has been extensively modelled with the aim of protecting vulnerable groups and minimising any reductions in support, there may be some customers who fall out of entitlement.
- 5.2 To address this it is proposed that customers who experience financial difficulty as a result of falling out of CTS entitlement are permitted to make an application to the exceptional hardship fund. The Council will consider all applications on an individual basis, taking into account available income and essential outgoings. The current policy only allows the applicant to apply for exceptional hardship whilst they are actually in receipt of CTS. An amendment to the policy is recommended to allow an applicant to apply for exceptional hardship where they have been in receipt of CTS within the last 6 weeks. This will allow applicants who no longer qualify to apply for exceptional hardship.

## 6. CONSULTATION

- 6.1 To effect changes to the CTS scheme, the Council has a legal duty to carry out public consultation and assess the impacts of the proposed changes with regard to equalities. A public consultation was completed over a ten week period, ending on 19 October 2019.
- 6.2 An on-line questionnaire was available on the Council's website, hard copies available on request, an all member group session was held at the end of July and associated e-mail briefing sent, media releases made and partner organisations were also advised of the consultation and encouraged to respond. The major preceptors were also consulted.
- 6.3 Despite the avenues available to respond, the level of comment was very low with only 48 respondents. Previous CTS consultations attracted 10 times this level of comment. The majority of respondents (87%) were not in receipt of CTS, one was a landlord and six were partner organisations. The Council should be mindful of the consultation responses received and these are summarised below. It should be noted the majority of respondents were in favour of all the changes proposed.

No. of proposal	Proposal (summary)	% support
1	To introduce an income banded scheme	62.22
2	Standard £4 NDD	61.36
3	£25 earnings disregard where dep in h/hold	64.29
4	100% pension contribution disregard	73.33
5	£50 additional disability disregard	69.05
6	Carers Allowance disregard	77.27
7	UC housing cost up to 100% disregard	83.72
8	Disregard bereavement support payments	88.89
9	remove good cause for backdating	65.12
10	make changes effective daily not weekly	93.18
11	Keep current scheme?	19.05
12a	Increase council tax	83.33
12b	Cut other services	16.67
12c	Use reserves	71.43

6.4 The profile of those responding to the consultation is summaries below:

- 56% female, 13% male, 31% other (organisations)
- 21% aged 25 – 34
- 19% aged 35 - 44
- 31% aged 45 – 54
- 17% aged 55 – 64
- 12% prefer not to say
- 1 unemployed
- 2 self employed
- 5 carers

## 7. OPTIONS

7.1 Options not already consulted on cannot be considered for the 2020/21 scheme, but could be further investigated and consulted on for future years.

**Option 1 (recommended option)** – Implement all of the proposals to amend the CTS scheme as consulted on and amend the council tax exceptional hardship scheme to allow customers who fall out of entitlement to make an application within 6 weeks.

- a. Benefits – maximises scheme efficiencies as outlined in this report and supports a more stable household budget for CTS customers
- b. Disadvantages – individual entitlement may change, however this is mitigated by use of the exceptional hardship policy

**Option 2** – No change from current scheme

- a. Benefits – individual entitlements remain the same
- b. Disadvantages – scheme becomes more inefficient and customers will continue to be subjected to frequent changes

**Option 3** - Implement some of the proposals

- c. Benefits – None
- d. Disadvantages – may have detrimental financial impact on both the Council and customers as scheme has been designed as a package of proposals and modelled as such.