

 <b>Executive 9 January 2019</b>		<b>Agenda Item No.</b> <b>6</b>
<b>Title</b>	Local Council Tax Reduction Scheme 2019/2020	
<b>For further information about this report please contact</b>	Andrea Wyatt 6831	
<b>Wards of the District directly affected</b>		
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive 30 <sup>th</sup> August 2018	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes
<b>Equality Impact Assessment Undertaken</b>	Yes

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	18/12/2018	Chris Elliott
Head of Service	18/12/2018	Mike Snow
CMT	18/12/2018	Chris Elliott; Bill Hunt; Andy Jones
Section 151 Officer	18/12/2018	Mike Snow
Monitoring Officer	18/12/2018	Andrew Jones
Finance	18/12/2018	Mike Snow
Portfolio Holder(s)	18/12/2018	Cllr Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
<p>Warwickshire County Council and Warwickshire Police and Crime Commissioner were consulted on the proposals and no objections were received. Invitations to participate in the consultation were sent to all recipients of council tax reduction. All Parish clerks were notified, details were sent to CAVA and announcements were made at community forums. The consultation was available on the website and paper copies were made available to those requesting them.</p>		
<b>Final Decision?</b>	Yes – subject to full Council	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 The purpose of this report is to provide members with details of the Council Tax Reduction consultation which ended on the 4th November 2018.

## 2. **Recommendation**

- 2.1 That Executive recommends Council accepts the following changes (a-j) to the Council's Council Tax Reduction Scheme effective from 1<sup>st</sup> April 2019 for Universal Credit customers and 1<sup>st</sup> April 2020 for the remaining working age customers only.
- a) Replacing the current means test with an income 'grid' scheme for all working age applicants.
  - b) Limiting the number of dependent children used in the calculation of reduction to two.
  - c) Removing non dependant deductions
  - d) Simplifying the claiming process for all Universal Credit applicants
  - e) Removing the current earnings disregard and replacing with a standard £25.00 disregard.
  - f) Disregarding Carer's allowance as an income.
  - g) Retaining the extended payment provision
  - h) Make changes to reduction on a daily basis rather than weekly.
  - i) Reducing the capital cut off limit to £6,000.
  - j) Replacing the current premium for disabled children and applicants with an equivalent amount of income disregard.
- 2.2 That Executive recommends Council agrees to the creation of a Discretionary Hardship Fund of £20,000 as discussed in paragraph 3.3 with the criteria of awards to be agreed by the Head of Finance in consultation with the finance portfolio holder.
- 2.3 That Executive recommends Council agrees that Council Tax Reduction Scheme is closely monitored, together with the Discretionary Hardship Fund, to be reported back to members in Autumn 2019.

## 3. **Reasons for the Recommendation**

- 3.1 The current scheme for Council Tax Reduction is largely based on the previous Council Tax Benefit scheme which was assessed alongside Housing Benefit. Housing Benefit for new working age applicants is no longer available in Warwick District and instead a claim must be made for Universal Credit. Whilst Housing Benefit was the main provider of housing support for working age persons, it was logical to maintain a Council Tax Reduction scheme that mirrored the approach. Now that Universal Credit is being rolled out, it gives

the Council the opportunity to significantly simplify what is in effect a Council Tax Discount.

3.2 In August 2018 the Executive agreed for the consultation on the proposed changes to the Council Tax Reduction Scheme. All claimants in receipt of the reduction have been written to so as to tell them about the proposed changes. 63 responses were received, representing approximately 2% of the caseload. Details of the responses are included within Appendix A. Just over half of the responses supported retaining the scheme unchanged.

a) **Replacing the current means test with an income 'grid' scheme for all working age applicants.**

The current scheme compares income to an applicable amount which is determined based on the claimant's circumstances. Calculating the income to be used in the assessment is extremely complex, earnings are calculated using gross pay less tax and national insurance deductions and 50% of any contribution to a personal pension. Other incomes are taken into account in full whilst others are disregarded, or partly disregarded and then further disregards are applied depending on a claimant's circumstances. As people move onto Universal Credit their income is assessed by the Department for Work and Pensions, however this can change on a monthly basis as earnings increase and decrease. Under the current scheme, entitlement to council tax reduction could potentially need re-assessing every month as income fluctuates changing the amount of council tax a claimant has to pay. The banded scheme would help to provide some stability to claimants ensuring that their payments remain the same, unless their income changes to put them into another band. This would also be easier to administer and should be easier to claimants to understand. There may be some who are worse off, however this will be managed through a discretionary hardship fund. Applications to the fund would be closely monitored throughout 2019 so that the income bands could be adjusted if necessary in 2020.

The new proposals will still be based on a claimant's net income, however the net pay will be calculated by increasing the disregard for personal pension contributions to 100%. Payments of child benefit and incomes paid for a disability of either the claimant, partner or child will continue to be disregarded for the purpose of calculating net income.

Based on the current case-load there are 3,353 working age claimants in receipt of council tax reduction, of these 2,158 are in receipt of a pass-ported benefit which automatically entitles them to the full eligible council tax reduction of 85% and this will continue to apply under the banded scheme.

## Income Grid

Discount (based on 85% of total liability)	Level	Single (Income level)	Couple (Income level)	Single + 1 child	Single + 2 children	Couple +1 Child (Income level)	Couple +2 (or more) Children (Income Level)
1 (includes passported benefits)	100%	0.00 - 75.00	0.00 - 115.00	0.00 - 140.00	0.00 - 215.00	0.00 - 185.00	0.00 - 250.00
2	75%	75.01 - 105.00	115.01 - 150.00	140.01 - 170.00	215.01 - 245.00	185.01 - 235.00	250.01 - 300.00
3	50%	105.01 - 135.00	150.01 - 185.00	170.01 - 200.00	245.01 - 275.00	235.01 - 285.00	300.01 - 350.00
4	25%	135.01 - 165.00	185.01 - 220.00	200.01 - 230.00	275.01 - 305.00	285.01 - 335.00	350.01 - 400.00
5	10%	165.01 - 195.00	220.01 - 255	230.01 - 260.00	305.01 - 335.00	335.01 - 385.00	400.01 - 450.00

### b) Limiting the number of dependant children used in the calculation of reduction to two.

From April 2017, the Government made amendments to all income related benefits for new claimants, including council tax reduction for pensioners, so that only two children were taken into account when determining entitlement aside from a few exceptions. This was replicated in the Council's council tax reduction scheme, however existing claimants were protected from this change provided their entitlement remained continuous. Prior to this change, a child premium was added to the claimant's applicable amount for each child, under the new scheme, the number of children a claimant has is only used to determine which band on the grid should be used to determine entitlement. This change would ensure all claimants are dealt with in the same way.

### c) Removing non dependant deductions

Under the current scheme, a non-dependant deduction is made from any council tax reduction entitlement unless the claimant or partner receives certain disability benefits. The level of deduction is assessed based on the non-dependant's income and capital, this means that information has to be obtained about their circumstances as well as the liable people for council tax. Under universal credit, the Department for Work and Pensions (DWP) will provide information to the Council in respect of the claimant and partner but not non dependants. One of the aims of the new scheme is to make the scheme simpler, enabling us to use information already obtained by the DWP. Removing non dependant deductions from the scheme will reduce some of the administrative burden for both our claimants and the authority.

### d) Simplifying the claiming process for all Universal Credit applicants

Under the current scheme, claimants must complete an application and provide proof of all income and capital of everyone in the house-hold, this means that someone who claims universal credit has to provide the same details to both the DWP and the local authority. Experience from other local authorities suggests that universal credit claimants are failing to apply for local council tax reduction either because they believe it will be paid with universal credit or because they are not aware of the availability. As the DWP have verified the same information that is required for an assessment of council tax reduction, and notify us of the outcome, it would be easier for claimants if we were able to use the information provided by the DWP, and with the claimants permission, treat this as a claim. This would save the claimant having to complete a further application and providing the same information to the Council.

**e) Removing the current earnings disregard and replacing with a standard £25.00 disregard.**

The current scheme provides for various earnings disregards from income depending on a claimant's circumstances, ranging from £5.00 to £25.00 and in some cases an additional £17.10 may be disregarded. This will make the scheme simpler to administer and will be more generous to some applicants on low incomes particularly single claimants and couples with no children, it should be noted that those with children will be placed on a higher income band within the grid scheme.

**f) Disregarding Carer's allowance as an income.**

Under the existing scheme, carers allowance is taken into account as an income, and an additional carer premium is added to the applicable amount. However, the premium is less than the amount of carers allowance paid and this effectively means that some of this allowance is currently taken into account in the assessment of reduction. Disregarding the income in total will ensure that the scheme is more generous to those with caring responsibilities.

**g) Retaining the extended payment provision**

Under the current scheme, 4 weeks additional reduction is given when a claimant's entitlement to a pass-ported benefit ends and they move into work. The original proposal was to remove the 4 week run on from the scheme. However, in response to the consultation, it is now recommended that this is retained for claimants who move from a pass-ported benefit into work who don't qualify for universal credit.

**h) Make changes to reduction on a daily basis rather than weekly.**

Council tax is a daily charge, however any changes to the council tax reduction scheme are currently administered on a weekly basis and entitlement is not awarded until the Monday following the date a new claim is made. This will bring the scheme into line with how the tax is charged and allow for council tax to be awarded on the day that the application is made.

**i) Reducing the capital cut off limit to £6,000.**

The current capital limit is £16,000 and claimants who have over £16,000 are automatically excluded from receiving council tax reduction. The council tax reduction scheme is designed to help the poorest within the District. It is not

considered unreasonable for residents who have cash at their disposal to pay their council tax bill.

**j) Replacing the current premium for disabled children and applicants with an equivalent amount of income disregard.**

The current scheme is more generous to claimants or their children who receive disability benefits by adding a premium into their applicable amount and disregarding the disability income. In order to ensure the new scheme continues to be more generous to those who are sick and disabled, disability benefits will be ignored when calculating income and an additional disregard of £50.00 applied.

3.3 Although the assistance to some claimants will reduce from current levels, the intention is to protect as many customers as possible. Where a customer experiences exceptional hardship, they will be able to apply for additional support from the Council under the proposed Exceptional Hardship Payment Scheme, the criteria of which to be agreed by Head of Finance and the finance portfolio holder. This scheme will operate similar to the Discretionary Housing Payments Scheme (which applies in respect of rent as part of the Housing Benefits Scheme), whereby the customers will need to apply and demonstrate hardship. It is proposed that £20,000 is initially allocated to this scheme, with that cost shared between the precepting authorities.

3.4 The amended scheme will be closely monitored, along with the Discretionary Hardship Fund, to be reported back to members in the Autumn of 2019. This will be ahead of the scheme needing to be formally agreed by members, annually, in January.

**4. Policy Framework**

**4.1 Fit for the Future (FFF)**

The Council’s FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy

communities	Low levels of crime and ASB	Increased employment and income levels
<b>Impacts of Proposal</b>		
The council tax reduction scheme assists customers on low incomes to pay their council tax. This helps prevent customers from falling into debt and therefore assists in preventing health conditions which may arise due to debt problems.	N/A	The council tax scheme helps those on low incomes including those who are employed.
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
Administering the current scheme requires a lengthy training programme and it can be 12 months or more, until staff are fully competent in the administration. Removing the complexities of the scheme will make it easier for staff to administer.	Customers will be clearer about entitlement. Removing the complexities should speed up processing time for claims.	The revised scheme is not intended to reduce the amount of support available.

## 4.2 Supporting Strategies

There are currently circa 63,000 tax payers within Warwick District, and of these there are 3,350 people of working age who claim Council Tax Reduction. It is important to ensure that help continues to be available to those who most need it whilst maintaining a cost effective scheme if we are to re-assure all of our tax payers that we continue to provide value for money. To remove the help people currently receive in assistance to pay their council tax could result in plunging some of the most vulnerable people in society further into poverty.

This would contravene the Council's vision to make Warwick District a great place to live, work and visit. However, the work of Warwick District Council, the County Council and the Police and Crime Commissioner is also important in achieving this vision and it is important to minimise funding cuts wherever possible to help maintain and improve the level of services provided to the whole of the District.

#### **4.3 Changes to Existing Policies**

This will replace the current local council tax reduction scheme.

#### **4.3 Impact Assessments**

An equality impact assessment is attached. There are no significant issues, disability benefits will continue to be disregarded as income. The carer's element of universal credit, which is currently counted as income will be disregarded under the new scheme and the scheme only applies to working age claimants. An exceptional hardship scheme will provide additional support to those who may be adversely affected.

### **5. Budgetary Framework**

- 5.1 The cost of the Local Council Tax Reduction scheme in 2018/19 is estimated at £6.1m, with £2.9m for working age customers. This cost is shared with the precepting authorities through the Collection Fund, this being proportionate to the council tax. Warwick District Council's share is £560,000 (9.2%), whilst WCC's is £4.7m (77.6%).
- 5.2 Under the current scheme, all claimants have to pay a minimum of 15% of their total council tax.
- 5.3 The new proposals are expected to be cost neutral. The changes are intended to reduce the level and cost of administration. The Council is not looking to reduce the total overall level of support available.
- 5.4 It is proposed that £20,000 is initially allocated to the exceptional hardship payment scheme, with that cost shared between the precepting authorities. As part of the overall cost of the Local Council Tax Reduction scheme.
- 5.5 The proposal to move to a banded scheme should make the administration of Council Tax Reduction simpler and more efficient. In due course, this should enable savings to be made in its operation. As yet it is too early to suggest what these savings may be. The Benefits Team will still need to administer Housing Benefits and Council Tax reduction for pension age claimants (currently 3,100). The impact and phasing of the rollout of Universal Credit is currently unknown. During 2020/21 it should be possible to assess the position and review how the service is administered.

### **6. Risks**

The cost neutral approach to revising the scheme means that entitlement will go down for some claimants. In order to mitigate this, a discretionary fund will be available to assist those most affected.

## **7. Alternative Option(s) considered**

- 7.1 The Council could agree to retain the existing Council Tax Reduction Scheme. However, this will not enable further efficiencies to be made, and will result in some inconsistencies between the scheme and Universal Credit.

## **8. Background**

- 8.1 The Council is required to have in place a local council tax reduction scheme for working age customers to assist those on low incomes with their council tax liability; this replaced the national council tax benefit scheme from April 2013. Although changes have been made to our own local scheme, it has continued to be based on the old benefit scheme. This scheme is complex to administer and confusing for customers to understand, the roll out across the District of universal credit provides the opportunity to rectify this since the majority of our working age customers will receive universal credit.