

COUNCIL

TUESDAY, 11 DECEMBER 2018

REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

LOCAL COUNCIL TAX REDUCTION SCHEME 2019/20 ONWARDS AND CONSULTATION RESULTS

EXEMPT INFORMATION

This proposal is not exempt information for the purposes of Part 1 of Schedule 12 (A) of the Local Government Act 1972

PURPOSE

To advise Members of the results and feedback from the recently undertaken consultation on the proposed Local Council Tax Reduction Scheme from 2019/20 onwards. To review the consultation feedback when considering potential changes to be applied in the 2019/20 onwards Local Council Tax Reduction Scheme;

To advise members that the Local Council Tax Reduction Scheme for working age customers for 2019/20 should include continued alignment to Applicable Amounts with those of Housing Benefit;

That Council endorses the proposed change, moderately supported by the consultation results, that the Local Council Tax Reduction Scheme for 2019/20 be aligned with the Universal Credit Regulations for self-employed working age earners.

RECOMMENDATIONS

- 1 That Council consider the results of the public consultation on the current scheme, carried out from August 2018 to October 2018, and endorse or otherwise the proposed recommended changes detailed below:

- 2 *The base scheme goes forward with the following;*
 - (a) *That the Local Council Tax Reduction Scheme for working age customers for 2019/20 will continue to be aligned to Applicable Amounts with those of Housing Benefit.*

 - (b) *That the Local Council Tax Reduction Scheme for 2019/20 be aligned with the Universal Credit Regulations for self-employed working age earners.*

EXECUTIVE SUMMARY

This report details the key issues arising from the Local Council Tax Reduction Scheme.

The Welfare Reform Act abolished Council Tax Benefit from 1 April 2013. It was replaced by a new Local Council Tax Reduction Scheme for working age customers. A national scheme of regulations was introduced for pensioners, which mirrors the obsolete Council Tax Benefit Scheme.

Grant funding was reduced and is distributed by the Ministry of Housing, Communities and Local

Government rather than the Department for Work and Pensions. Outturn on the 2017/18 scheme was £3.97m of which the Authority's share was £429k (10.8% of the impact on the Collection Fund). At inception, the scheme design was modelled to ensure that the Authority complied with the Central Government requirement to achieve a 10% reduction in benefit cost but without increasing the burden of cost to the Council tax Payer. However, grant funding predictions are expected to reduce further in future years and future years' Revenue Support Grant (RSG) projections indicate an ongoing reduction in grant funding to the Authority from 2019/20 and will mean that RSG will cease to be paid from 2020 and that the Council will have to fund the scheme from its own resources and retained Business Rates income in the future.

The impact of grant funding and expenditure is closely monitored on a regular basis to identify whether the scheme is achieving its objectives but also not increasing cost burdens to the Medium Term Financial Strategy. The current maximum level of award under the existing scheme is 75%. Current financial modelling indicates that although grant levels are reducing the scheme maxima should not be changed for the 2019/20 scheme consultation as it would add further potential hardship to claimants. This position is under regular review. Members should be aware of the impact of the Central Government Grant reductions when formulating the scheme for 2019/20 as any subsequent changes to the scheme governance arrangements, not consulted on would require a further consultation exercise.

The 2 key principles of the Local Council Tax Reduction Scheme are:

1. Every household with working age members should pay something towards their Council Tax bill and;
2. The Local Council Tax Reduction Scheme should encourage people to work.

Continued alignment of the scheme with applicable amounts for the Housing Benefit scheme should be considered. This is not a legislative requirement for those of working age, but a decision for this Council. This will prevent confusion between schemes and reduce administrative burdens. Furthermore, it would reflect any cost of living rises allowed by the Government.

In compliance with the above, a web based consultation exercise was carried out between August 2018 to October 2018. The results are attached at **Appendix 1**. Local Community Groups were notified of the consultation and two press releases also encouraged responses. 101 responses were received. The proposal to introduce a Minimum Income Floor for self-employed income was moderately supported.

OPTIONS CONSIDERED

As in previous years, a number of the policy options considered during the consultation are currently included in the 2018/19 Local Council Tax Reduction Scheme, these are detailed below:

- Pensioners, claimants classed as severely disabled, claimants with disabled children and claimants receiving a War Pension or Armed Forces Compensation Scheme payment are the only claimants that receive support for up to 100% of their Council Tax bill. All other working age claimants pay something towards their Council Tax bill and applicable amounts continue to be aligned with those of Housing Benefit.

- All working age claimants that are not protected have to pay at least 25% of their Council Tax bill. To mitigate future grant reductions, the scheme could ask working age claimants to pay at least 30% of their Council Tax bill. This means that working age claimants who are not protected would get less help than they do now.
- Council Tax Reduction is limited to the level that is given for a smaller house. We limit the maximum support offered based on 75% of the Council Tax bill for a Band D property, even if the claimant lives in a property with a higher banding than D. This means that any claimant who lives in a property with a banding higher than D has their Reduction calculated as if they lived in a Band D property.
- Claimants are able to have savings of up to £16,000 and still receive support towards their Council Tax Bill.
- Any non-dependants living in a Working Age claimant's household are expected to contribute towards the Council Tax bill. If the non-dependant is not working then their contribution would be £5 per week. If the non-dependant is working then their contribution would be a £10 per week.

In addition, the 2019/20 consultation included a new policy as detailed below:

- It is proposed from April 2019 to align the Local Council Tax Reduction policy for self-employed earners in receipt of Universal Credit with the Universal Credit Regulations. Currently, a claimant's self-employed books and/or accounts are used to calculate net profit and our policy endorses this. Universal Credit includes a 'Minimum Income Floor' (MIF) if a person is gainfully self-employed and the business has been running for more than 12 months. The MIF is an assumed level of earnings based on the National Minimum Wage. Where self-employed earnings are below the MIF, this will be used to work out a claimant's LCTR instead of actual earnings.

Universal Credit full service started on 29th November 2017 in Tamworth. This has primarily impacted on the benefits, revenues and housing services. Customers in receipt of Universal Credit are more likely to have multiple changes to their income throughout the year. This means the benefits team has to reassess a claimant's entitlement to LCTR each time, which can sometimes result in little or no change in the amount of financial support given. Numbers on Universal Credit are still relatively low, however, as this will steadily increase as roll out continues, this may impact on the workload for the Council and it can be difficult for low income households to manage their money and spending.

This will contribute to a negative effect on income collection levels, and is part due to the effect of a significant number of "change of circumstances" which have to be processed by the benefits team arising from the revised process. This means that council tax bills are recalculated each time a change is processed leading to a delay in income collection.

There is an option to mitigate the effect of the changes by moving to a banded LCTR scheme – this could mean:

- a) less council tax bill amendments which should lead to improved collection levels;
- b) providing a simpler scheme which is easier to understand;
- c) reduced administration costs and prevent them from rising in the future.

However, it will not reduce the number of amendments which have to be processed by the Benefits team.

Subject to the results of a detailed impact assessment, it is proposed that the consultation process in future years includes considerations for the LCTR scheme to operate on a banded scheme. This should

provide an opportunity to reduce the cost of LCTR administration and should also result in fewer amended council tax bills being issued, in particular as Universal Credit continues to roll out.

RESOURCE IMPLICATIONS

Council Tax Benefit subsidy awarded for 2012/13 was £5.38m. The current scheme was modelled on delivering an estimated benefit reduction in the region of £700k for 2013/14, necessitated by grant cuts of 10% and protection for Pensioners and other vulnerable groups. The final amount awarded for 2013/14 was £4.427m, £4.156m for 2014/15, £4.04m for 2015/16, £3.98m for 2016/17 and £3.97m for 2017/18.

Latest figures confirm that £4.06m has so far been awarded in Local Council Tax Reduction (LCTR) for 2018/19 (**Appendix 2**), to both working age and pensioner customers. The live caseload has reduced by approximately 20% since April 2013, which is attributable to customers finding employment, becoming financially self-sufficient and contributes to the lesser amount now awarded. Furthermore, welfare reforms have also reduced the amount awarded to some claimants who are no longer entitled to the Severe Disability Premium, thus their award is now based on a maximum of 75% rather than 100% of their Council Tax liability. In addition as The Department for Work and Pensions calculate Universal Credit on a monthly basis, customers may be entitled to Council Tax Reduction one month but not the following, also contributing to the decline in caseload.

It is impossible to predict what savings aligning the LCTR Scheme to Universal Credit Regulations for self-employed earners will have. However it is envisaged that the savings will be nominal.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Ministry of Housing, Communities and Local Government have confirmed that consultation on the scheme is not required annually if it is not amended. However, the Council has decided it wise to consult even when changes are not proposed. Notwithstanding this, as an amendment to the scheme is proposed for 2019/20, consultation was mandatory for the 2019/20 scheme.

Appendix 1 confirms the public consultation results, gauging views on each of the current policy elements of the scheme as well as views on proposed changes.

Section 13 A(2) and Schedule 1A of the Local Government Finance Act 1992, as well as Schedule 1A, paragraph 16 of the Local Government Finance Act 2012 legislate that the scheme must be agreed annually by full Council.

Full Equality Impact Assessments were considered and taken into account when the scheme was initially finalised and agreed.

SUSTAINABILITY IMPLICATIONS

Funding for the replacement of the previous Council Tax Benefit scheme was changed from AMEY (unrestricted reimbursement of Council Tax Benefit subsidy) to DEL (restricted, pre-allocated grant figure). The Council must be aware that there must continue to be a contingency if, for instance, a major local employer goes into administration.

BACKGROUND INFORMATION

The Welfare Reform Act 2012

http://www.legislation.gov.uk/ukpga/2012/5/pdfs/ukpga_20120005_en.pdf

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Regulations) 2012

http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi_20122885_en.pdf

REPORT AUTHOR

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HISTORICAL LIST OF BACKGROUND PAPERS

The Local Council Tax Scheme was introduced in April 2013. Previous versions of the schemes are available if required.

Local Council Tax Reduction Scheme 2017/18 report, presented to Council on 13th December 2016

<http://democracy.tamworth.gov.uk/documents/s15217/Local%20Council%20Tax%20Reduction%20Scheme%20201718%20onwards.pdf>

Local Council Tax Reduction Scheme 2018/19 report, presented to Council on December 12th December 2017

<http://democracy.tamworth.gov.uk/documents/s21399/Local%20Council%20Tax%20Reduction%20Scheme%20201819%20onwards.pdf>

APPENDICES

Appendix 1 Local Council Tax Reduction Scheme Consultation Scheme report 2018

Appendix 2 Local Council Tax Reduction Working Age Expenditure Summary

Appendix 3 Local Council Tax Reduction Caseload Summary

Appendix 4 Equality Impact Assessment