

## CORPORATE SCRUTINY COMMITTEE

THURSDAY, 25<sup>TH</sup> AUGUST 2020

### CABINET

THURSDAY, 10<sup>TH</sup> SEPTEMBER 2020

## REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

### LOCAL COUNCIL TAX REDUCTION SCHEME 2021/22 ONWARDS

#### EXEMPT INFORMATION

None

#### PURPOSE

To consider proposals for the Local Council Tax Reduction Scheme for working age customers for 2021/22.

#### RECOMMENDATION

**That the planned review for the introduction of a banding scheme for Council Tax Reduction be deferred until 2021 and that the current scheme for working age customers continues to be aligned to Applicable Amounts with those of Housing Benefit for 2021/22.**

#### EXECUTIVE SUMMARY

This report updates Members on the proposals to review the Local Council Tax Reduction Scheme (LCTRS) for implementation on 1 April 2021.

Proposals were submitted to this committee on 14<sup>th</sup> November 2019 detailing a need to review the current Council Tax Reduction Scheme along with three modelled options with the aim to finalise a new scheme for consultation this autumn.

The proposal was to replace the current 'traditional scheme' for working age claimants which was modelled in 2012 (and implemented in April 2013) based on the national Council Tax Benefit and has had various amendments made annually to continue to align to legislation changes in Housing Benefit.

The national scheme regulations continue for pensioners, which mirror the obsolete Council Tax Benefit Scheme.

At the meeting, Members reviewed the proposals in detail and asked for further modelling to be carried out (for up to 100% supported scheme) and reported back to committee in 2020.

However, in light of the unprecedented situation following the COVID-19 Pandemic, it is now suggested that the review be postponed until 2021 when the impact for the scheme will be clearer. The potential longer term consequences of recession and unemployment on demand for the scheme have yet to be experienced. It will be many months before we have a clearer idea on how the economy has responded to the recovery process including any lasting effects for individual businesses and their employees.

## **OPTIONS CONSIDERED**

The current scheme for most working age customers bases an award on a maximum of 75% of their Council Tax liability. Those who receive a Severe Disability Premium, or who have a disabled child and those who receive a War Widows/War Disability Pension or Armed Forces Compensation Scheme payment have their awards based on 100% of their liability, known as Protected Groups.

Pensioners also continue, under the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, to have their awards based on 100% of their Council Tax liability.

Members at both Cabinet and Corporate Scrutiny Committee meetings had previously reviewed proposals to introduce a Banded Scheme, for implementation in 2021/22, starting on 1 April 2021, which would remove much of the complexity associated with the current scheme, whilst at the same time maintaining fairness and equality in the way in which awards are distributed amongst Council Tax payers. Further reports were due to be submitted to both Cabinet and Corporate Scrutiny, to include detailed cost forecasting and scheme principles with the aim to finalise a new scheme for Public consultation in autumn 2020.

However, in light of emerging issues from the COVID-19 pandemic, the potential implications for the scheme need to be considered.

The current 'traditional scheme' has largely been unaffected by the changes to the Welfare system as announced by the government in response to the outbreak of COVID19. The current scheme has been able to react quite quickly to the changes in claimant's income, therefore ensuring that they have not lost any Council Tax Reduction. For example, the government in response to COVID19 announced that the standard allowance of Universal Credit would increase by £1000pa. Under the current traditional LCTR scheme, this had the effect of increasing the applicable amount by the equivalent UC increase and therefore had no detrimental effect any entitlement to Council Tax Reduction. Under a banding scheme this additional income could have had the effect of dropping a claimant into a lower council tax income band and thereby reducing CTR entitlement between 20-25% depending on the banding scheme percentage bands. In order to compensate each claimant for any loss to their Council Tax Reduction, for each claim affected, the funding would have to be made from the councils own budgets / Hardship Fund which would be insufficient to cope with the additional demand.

In addition, there is still much uncertainty, particularly with the possible effects of Furlough scheme which was recently amended to begin reducing the financial support to employers

from August through to October in order to bring the scheme to a close. Employers will be faced with the decision on what to do with their furloughed employees and may impact further on the welfare system, resulting in further uncertainty around how the economy recovers and when.

To attempt to model a new Council Tax Reduction Banding scheme at this point in time would be a constant moving target. The number of LCTR applications received between April-June was just over 1,100 with compared with the expected usual numbers of around 270-300 for the same period. Although not all of these claims have been entitled to LCTR, the working age claim base has increased from 2613 in February to 3071 in July which has also been reflected in an increase of council tax payers in receipt of UC by an equivalent amount and is now 1,737 for July (1,254 at 31<sup>st</sup> March 2020). As a result, expenditure across the scheme has also increased from £4.1m in 2019/20 to £4.5m (of which £2.1m relates to pensioners).

There has also been a recent announcement that the managed migration of Universal Credit is being delayed from December 2023 to September 2024. This will result in Universal Credit continuing to be rolled out naturally for some time yet, therefore alleviating the urgency to change the scheme at this present time. Workload has continued to remain manageable but we will obviously need to continually monitor this as UC continues to roll out – including the effects of the increase outlined above to feed into the proposed review during 2021.

As would be expected, during the second quarter of this year Revenues also saw an increase in workload as a consequence of COVID19 resulting in a higher than usual number of council tax bills being issued. The majority of this would be attributable to the increase in applications for Council Tax Reduction claims received in Benefits. Overall the impact of UC has remained fairly consistent since it was introduced in Tamworth in November 2017.

It should also be noted that the modelling has been delayed as Capita Software have yet to fix an outstanding issue with the CTR Modelling Tool (which is expected during August) due to the prioritisation of the response to Covid-19 over other work. However to model a brand new scheme takes a considerable amount of time to develop and ongoing analysis of data would also need to be carried out due to frequent changes both in claim circumstances and caseload. Therefore to begin modelling a scheme now would result in the other work either being severely delayed or not being completed at all. Unfortunately, we have not been in the position to commence modelling the scheme due to priorities being directed to the rapid increase in workload and other additional work created as a result of COVID19.

Moving to the proposed scheme for 2021/22, 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 light of the proposals contained within this report, there are no proposed changes to the scheme for 2020/21 other than the usual alignment with Housing benefit which**

**is a minor change and did not require consultation. Council at its December meeting will be asked to approve this approach.**

As there are no other proposed changes for the scheme it will not be necessary to carry out a formal consultation this year.

## **RESOURCE INPLICATIONS**

Latest figures confirm that £4.55m has so far been awarded in Local Council Tax Reduction (LCTR) for 2020/21, to both working age and pensioner customers of which £2.4m relates to working age claimants. As indicated above, the live caseload has increased by approximately 17% since January 2020, which is as a direct consequence of the COVID-19 pandemic. However many of the existing claims have also seen an increase in the amount of LCTRS they receive due to loss of income.

## **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. Other than the yearly alignment of applicable amounts to those of Housing Benefit, there are no other proposed changes to the LCTR Scheme for 2021/22 and therefore no consultation shall be required.

We have a legal duty to consult on the changes to our scheme. Schedule 1A of the Local Government Finance act 1992, which was inserted by Local Government Finance act 1992 states that:

*Before making a scheme, the authority must (in the following order):*

- a) consult any major precepting authority which has power to issue a precept to it;*
- b) publish a draft scheme in such manner as it thinks fit; and*
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.*

## **EQUALITIES IMPLICATIONS**

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

## **SUSTAINABILITY INFORMATION**

Funding for the replacement of the previous Council Tax Benefit Scheme was changed from an unrestricted reimbursement of Council Tax Benefit Subsidy to a restricted, pre-allocated grant figure – which has subsequently been reduced year on year as part of the austerity measures. The Council must be aware that there must 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](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](http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi_20122885_en.pdf)

## REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Jane Smith, Head of Benefits (Ext.355), Lynne Pugh, Assistant Director Finance (Ext.272), or Stefan Garner, Executive Director Finance (Ext. 242).

Background Papers:-	Local Council Tax Reduction Scheme 2020/21 Onwards and Consultation Results, Council 10 <sup>th</sup> December 2019
	Local Council Tax Reduction Scheme 2021/22, Corporate Scrutiny Committee, 14 <sup>th</sup> November 2019
	Local Council Tax Reduction Scheme 2021/22, Cabinet 26 <sup>th</sup> September 2019

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