

## **COUNCIL TAX REDUCTION – BANDED SCHEME**

**Cabinet Member(s):** Cllr Alex White  
**Responsible Officer:** Andrew Jarrett – Deputy Chief Executive (S151 Officer)

**Reason for Report:** Section 13A (2) of the Local Government Finance Act 1992 requires the Council as the billing authority to make a localised Council Tax Reduction Scheme in accordance with Section 1A of the act.

The Council is looking to remodel the current scheme in order to improve our processes making them more streamlined for our customers.

### **Introduction**

In April 2013 Council Tax Benefit was replaced by a new Council Tax Reduction scheme.

Council Tax Benefit had been funded by the Department for Work and Pensions and supported people on low incomes by reducing the amount of Council Tax they have to pay.

The Council Tax Reduction scheme is determined locally by District Councils rather than the Department of Work and Pensions. Although the Government initially provided funding for the scheme, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to councils. From 2020 no funding will be provided for the scheme.

Universal Credit is replacing legacy benefits such as Income Support, Tax Credits and Housing Benefit. Universal Credit has increased the workload for local authorities, revenues and benefits departments. Nationally local authorities have developed a new income banded scheme to make administering Council Tax Support easier for themselves and the customer.

A separate Central Government scheme is retained for people of pension age so the new changes will only affect working age residents.

Mid Devon District Council along with other Devon Billing Authorities are proposing a revised scheme using Income Bands from 1 April 2020.

**RECOMMENDATION:** that the Policy Development Group recommend to the Cabinet that the Council:

- 1) Adopts the Council Tax Reduction (banded) scheme; and**
- 2) Adopts the updated exceptional Hardship Policy (revised).**

**Financial Implications:** The cost of the current scheme is increasing this is further compounded by zero support from the Revenues Support Grant. Banded Schemes are easier to administer and the proposed scheme will help manage expenditure whilst targeting those that really need the help. A hardship scheme will allow those

under the banded scheme to apply for additional assistance, during the transition period. It is envisaged that the funding for the extra support will come from the year one saving of the redesigned scheme.

**Legal Implications:** The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefit and brought in instead, localisation of Council Tax Support under the Local Government & Finance Act 2012 from 1 April 2013. This Act made councils responsible for administering their own Council Tax Support Schemes. Councils are required to review their schemes annually and Full Council must make a decision as to whether to revise or replace the scheme.

**Risk Assessment:** Should the proposed scheme not be agreed there is a risk of reduced collection rates and further cost to the Council in funding the increasing administration requirements. The current scheme not fit for purpose and is expensive.

**Equality Impact Assessment:** The Revenues and Benefits service constantly monitors the issues affecting claimants on Council Tax Reduction. The banded scheme has been developed to support our most vulnerable customers in the ever changing landscape of welfare reform, whilst keeping the cost of the scheme cost neutral.

Since the roll out of Universal Credit it has become evident that the number of changes in circumstances issued by the Department of Work and Pensions (DWP) has increased significantly, this in turn has had a direct impact on Council Tax Reduction scheme and the amount customers receive.

The impact has been reviewed and modelled for the 2020/21 financial year. It is apparent that unless changes are made to the scheme the increased number of change of circumstances will result in higher volumes of bills and correspondence being issued to customers. This will in turn lead to confusion for customers due to the reissue of bills on one or more occasions and increase the costs of administering the scheme. Ultimately, this would have an impact on Council Tax collection rates.

Having reviewed our scheme and taken into consideration funding cuts, Council Tax arrears, Universal Credit and the impact of wider welfare reform Mid Devon Council recommends that the Banded Scheme starts from 01/04/2020.

Further detail can be seen on the Equality Impact Assessment attached to this report.

**Relationship to Corporate Plan:** Making sure that the “public purse” is used in an economic way.

**Impact on Climate Change:** This policy has no known detrimental effect on climate change. The administration will be almost paperless and administered electronically where possible. As such it's considered to have a positive effect and will reduce the amount of paper currently used.

## **1.0 Introduction/Background**

- 1.1 Council Tax Reduction (CTR also known as Council Tax Support -CTS) was introduced in April 2013 and replaced the national Council Tax Benefit Scheme, with a 10% funding reduction. The CTR scheme for working-age customers is a local scheme, however the scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally. Therefore any savings to the scheme must come from working age customers.
- 1.2 Councils are required to consult fully on any changes they would like to bring into place within the scheme.
- 1.3 It is proposed to adopt a new scheme from 1 April 2020.
- 1.4 All Devon Billing Authorities are looking to implement similar Banded Schemes, this is also happening nationally.

## **2.0 CTR – Drivers for Change**

- 2.1 Universal Credit Rollout.
- 2.2 Loss of joint Housing Benefit/Council Tax Reduction Claims.
- 2.3 High Volume Changes – Customers could receive a revised Council Bill c9 times a year. Generating confusion around what they have to pay.
- 2.4 Reduction in Admin Grant.
- 2.5 Digital and Self – Service Transformation – Citizen Access.
- 2.6 Simplify claim procedure.
- 2.7 Potential for full automation saving complex processing work – Officers can focus on other tasks/areas.

## **3.0 Options**

### **Option 1 - Retain Current scheme**

- 3.1 No migration, no losers, no additional software costs.
- 3.2 No efficiency gains, increasing volumes of UC claims and changes.
- 3.3 Current scheme is expensive to administer.
- 3.4 UC customers would continue to receive 9+ bills per year.

### **Option 2 - Move to Income Banded Scheme**

- 3.5 Admin savings due to the bands 'catching' most of the changes in income.
- 3.6 C1500 or 75% of customers will gain entitlement due to changes.
- 3.7 C400 or 25% customers will have reduced or zero entitlement.
- 3.8 Scheme is simplified.
- 3.9 Customers should be able to work out their entitlement before applying.
- 3.10 Potential for customers to 'self-serve'.
- 3.11 Consistent with other Councils in Devon and Country wide.
- 3.12 Year one Hardship Relief to assist customers who see a reduction.

#### 4.0 Summary of Impact as at 16/10/2019

Customers can apply for help via the Hardship Policy should the reduction in entitlement be causing them financial concern. Customers will be notified of changes due to the new scheme, they will be advised on what help can be applied for understanding that 'vulnerability' must and will be recognised by Mid Devon Council

Scheme	Total Annual award for working age claims	Number of working age claims	Number of Gainers	Numbers of Losers	No Change	Lost Claims
Current	£1,746,431	2074	0	0	0	0
Income Banded	£1,599,520	1889	1459	430	0	185

#### 5.0 Banded Scheme

Passported		Family 2 Children		Family 1 Child		Couple		Couple	
Income From	%	Income From	%	Income From	%	Income From	%	Income From	%
£0.00	85%	£0.00	85%	£0.00	85%	£0.00	85%	£0.00	85%
		£260.01	65%	£200.01	65%	£120.01	65%	£75.01	65%
		£310.01	45%	£250.01	45%	£160.01	45%	£120.01	45%
		£360.01	25%	£300.01	25%	£210.01	25%	£170.01	25%
		£410.01	0%	£350.01	0%	£260.01	0%	£220.01	0%

The advantage of the banded scheme is that customers can see at a glance what % reduction they would get in accordance with their net income off their Council Tax. Increases and decreases in income should mainly stay with the bands, this will significantly reduce the amount of bills being issued. Currently some customers may receive up to 9 bills a year, this causes confusion and missed payments. The scheme should also help reduce enforcement due to keeping the amount owed stable.

## **6.0 What is Changing**

- 6.1 Model takes into account the household size and income.
- 6.2 Increases maximum award from 80% to 85% to all passported claims and those in the lowest income band.
- 6.3 Capital limit reduced to £6,000 in line with UC and other Devon Authorities
- 6.4 Ignores non-dependents.
- 6.5 Simpler to administer – no complex calculations.
- 6.6 Banded scheme will continue to disregard Disability Living Allowance (DLA), Personal Independence Payment (PIP), Child Benefit and child maintenance payments.
- 6.7 Additional disregards for Carer's Allowance, the ESA support component.
- 6.8 £50 per week income disregard for any household including a disabled person.
- 6.9 The first £25 per week will be disregarded from their earned income.
- 6.10 Streamlines billing and enforcement, reduced bills, reminders and prosecution.

## **7.0 Key Impacts**

- 7.1 Significant reduction in bills generated from small changes in income.
- 7.2 Officers will have greater flexibility when making payment arrangements.
- 7.3 Customers more likely to pay due to not having multiple bills.
- 7.4 Hardship policy to allow those who lose under the new scheme to apply for additional assistance during the transition period of 01/04/2020 – 31/03/2021

## **8.0 Rationale for Change**

- 8.1 Over 25% of working age CTR cases have Council Tax Arrears.
- 8.2 Consistent with universal Credit Rules.
- 8.3 Simplifies claim procedure – no need to verify capital as Universal Credit already do this.
- 8.4 Much simpler to administer – no requirement to request non-dependent details.

- 8.5 Out of 187 claims with non-dependents in the household, only 19 have a charge.
- 8.6 Helps cushion the loss of old scheme premiums.
- 8.7 Recognises vulnerable groups.
- 8.8 Incentivises work.
- 8.9 Helps stakeholders such as CHAT and CAB to advise customers on reductions that could be claimed.

## 9.0 Consultation with the public and Preceptors

	Surveys Received	405
Survey Question	Survey Results	
	Yes	No & Skipped
Should we keep the same scheme	43.73%	56.27%
Should we change to a banded scheme	46.10%	53.90%

Mid Devon had a very good response by receiving 405, however it must be noted that not all questions were answered by everyone.

	Date Agreed	Comments
Devon & Somerset Fire & Rescue Service	23/07/2019	Happy to Support the Banded Scheme
Devon County Council	31/07/2019	No Objection to the Introduction of the Scheme
Police & Crime Commissioner	08/08/2019	Proposed Scheme is Agreed

**Contact for more Information:** Dean Emery, Group Manager for Revenues and Benefits – 01884 234945 / [demery@middevon.gov.uk](mailto:demery@middevon.gov.uk)

**Circulation of the Report:** Leadership Team, Cllr Alex White, Community PDG and Cabinet

**List of Background Papers:** Hardship Policy, Equality Impact Assessment, CTR Policy