Open

NORTH DEVON COUNCIL

REPORT TO:	**STRATEGY AND RESOURCES**
Date:	**4 JANUARY 2021**
TOPIC:	**COUNCIL TAX REDUCTION SCHEME**
Report By:	**HEAD OF RESOURCES**

1 INTRODUCTION

1.1 The Government announced as part of its spending review in 2010 that it would abolish Council Tax Benefit and replace it with localised support for Council Tax by 2013-14.

1.2 This change did not affect Pension Age claimants whose scheme is prescribed by Central Government in line with the 2012/13 Council Tax Benefit scheme.

1.3 Each year we have to review our scheme. Changes have been made over recent years to bring schemes in line with the changes being made by Central Government in Housing Benefit and Universal Credit.

1.4 The current CTR banded scheme for working age claimants was introduced in April 2020. We are proposing to make four changes to this scheme from 1 April 2021.

1.5 These changes are intended to bring the scheme in line with the changes being made by Central Government in Housing Benefit and Universal Credit. They will also enable the Council to alter the scheme within the financial year should it be deemed necessary. The need for us to be able to do this has been highlighted during the current Covid-19 situation.

2 RECOMMENDATIONS

That Strategy and Resources:

2.1 Recommends to Council that it adopts all four of the proposals, as detailed in 4.5 below and as in North Devon Council, Council Tax Reduction Scheme Policy S13A and Schedule 1a of the Local Government Finance Act 1992, **Appendix A**, from 1 April 2021.

2.2 Considers the Equality Impact Assessment in relation to the scheme, as set out in **Appendix B**.

2.3 Approves and recommends to Council the Exceptional Hardship Policy in relation to the CTR Scheme, as set out in **Appendix C.**

3 REASONS FOR RECOMMENDATIONS

3.1 To ensure that the Council adheres to the legislative requirements to provide CTR Scheme for 2021-22.

4 REPORT

4.1 Due to the current COVID-19 crisis, the Government has introduced a number of changes to the welfare benefits system to award additional allowances to those on a low income. As the Council Tax Reduction Scheme can only be changed annually, these increases in state benefits could have had a detrimental effect on entitlement to Council Tax Reduction.

4.2 The proposed changes will give the Council the option to make changes to the scheme during the financial year to ensure that applicants would not be disadvantaged should the Government take similar action again in the future.

4.3 Currently the Council restricts the number of children, for the purpose of assessing CTR entitlement, to two. This restriction does not apply where the claimant or any partner receives a disability benefit. The Council is proposing to extend this to households where there is a dependant child who receives a disability benefit. This will make the scheme fairer as the Council recognises the difficulties faced by our customers in such situations.

4.4 The Government has introduced a number of changes into the prescribed scheme for pension age applicants. We are proposing making the same changes to align the working age scheme. These changes include the following:

- Payments of Shared Parental Leave and Parental Bereavement Leave, are to be treated as earned income and this also allows for child care disregards to be awarded.
- The Grenfell Tower Residents' Discretionary Fund payments would be totally disregarded for Council Tax Reduction purposes.
  These changes would align the working age scheme with the pension age scheme and would create a fairer scheme for those customers affected.

4.5 Full details of all these proposed changes are shown below:

Proposal 1 - To allow the Council to increase the levels of incomes within each Band to allow for any changes made by Government to other benefits

Under the current scheme, the Council is only able to increase the income levels within each discount band annually by inflation. This change would allow the Council to increase the income levels within each band to counter any increase in welfare benefits.

The change would **only** be made where Government takes emergency action as in the current COVID-19 crisis.

The change would only increase income levels within each discount band **not** decrease the levels.

The change would not vary the percentage of discount in each band.

The benefits of this are:

- more flexibility within the scheme; and
- prevent applicants having their Council Tax Reduction award reduced when the Government increases any welfare benefits

The drawback of doing this is:

- There may be a slight increase in the cost of the scheme should the change be made

Proposal 2 – To allow the Council to suspend the use of the Minimum Income Floor for the Self-Employed in exceptional circumstances

The Minimum Income Floor is a provision within both Universal Credit and Council Tax Reduction which assumes a level of income for self-employed applicants after they have been in business for one year or more. Due to the COVID-19 crisis, the Department for Work and Pensions (DWP) suspended the use of the Minimum Income Floor in Universal Credit but the Council was unable to change the Council Tax Reduction scheme in the same way.

This option would allow the Council flexibility to 'suspend' the Minimum Income Floor in exceptional circumstances, such as the COVID-19 crisis. The Council feels that this would be fairer to applicants who are self-employed and unable to trade normally due to the crisis.

The benefits of this are:

- it allows the Council more flexibility in dealing with self-employed applicants in exceptional circumstances, such as the COVID-19 crisis; and
- it would allow the Council to make the change automatically for all cases affected.

The drawback of doing this is:

- there may be a small additional cost to the scheme where the Minimum Income Floor is suspended.

Proposal 3 - To remove the two child restriction where the claimant or partner or any dependent child in the household receives a disability benefit

Within the current scheme, applicants who have children are awarded a dependent’s addition within the calculation of their needs. This is currently limited to a maximum of two children additions for all applicants.

The change would allow the Council not to restrict any applicants’ child additions to two where the applicant, their partner or any dependent child is in receipt of any disability benefit.

The benefit of this is:

- it would make the scheme fairer to our disabled customers.

The drawback of doing this is:

- there may be a slight increase to the cost of the scheme.

Proposal 4 - To amend the scheme to allow for Shared Parental Leave, Parental Bereavement Leave and the Grenfell Tower Residents' Discretionary Fund

The Government has introduced a number of changes into the scheme for pension age applicants to cater for the new Shared Parental Leave, Parental Bereavement Leave and the Grenfell Tower Residents' Discretionary Fund. In the case of Shared Parental Leave and Parental Bereavement Leave, the payments would be treated as earned income and could allow for child care disregards to be given.

The Grenfell Tower Residents' Discretionary Fund payments would be totally disregarded for Council Tax Reduction purposes.

These changes would align the working age scheme with the pension age scheme.

The benefits of this are:

- all working age applicants would be treated the same way as pensioner applicants; and
- the change would make the scheme simpler to administer.

The drawback of doing this is:

- There are no drawbacks to this change

4.6 The Council undertook a comprehensive consultation on the proposals during the period 2 November 2020 – 13 December 2020. This consultation was promoted in the following ways;

- Press release in local newspaper
- North Devon Council website
- Social Media (Facebook and Twitter)
- 2000 mail shots included in Council Tax bills and Benefit notification letters.

4.6 Precepting Authorities and the local Citizens Advice were also consulted and their responses, where received, are shown in **Appendix D**.

4.7 A total of 33 responses to the consultation were received. The results are shown, in full, in **Appendix E**. The majority of responses were in favour of the proposed changes.

5 RESOURCE IMPLICATIONS

5.1 Prior to 2013/14 the Council Tax Benefit Scheme cost the public purse in the region of **£7.50m**.

5.2 The first year of the CTR Scheme was originally forecast to cost **£6.57m**. The schemes have so far cost -:

Year 1 (2013/14) the scheme cost **£6.26m**
Year 2 (2014/15) the scheme cost **£5.95m**
Year 3 (2015/16) the scheme cost **£5.69m**
Year 4 (2016/17) the scheme cost **£5.59m**
Year 5 (2017/18) the scheme cost **£5.45m**
Year 6 (2018/19) the scheme cost **£5.50m**
Year 7 (2019/20) the scheme cost **£5.60m**
Year 8 (2020/21) has a current forecasted cost to the Council of **£6.5m**

6 EQUALITIES ASSESSMENT

6.1 EIA attached at Appendix B

7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?
Part 2 Article 4.4	Referred

8 STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9 BACKGROUND PAPERS

8.1 No background papers have been used in preparation of this report other than legislation and government guidelines already in the public domain.

10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

Author: Julie Dark Date: 14/12/20