

NORTH DEVON COUNCIL

POLICY DEVELOPMENT COMMITTEE: 9TH DECEMBER 2019

MINUTE EXTRACT OF THE STRATEGY AND RESOURCES COMMITTEE HELD ON 2ND DECEMBER 2019 IN RESPECT OF ITEM 6 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

72 COUNCIL TAX REDUCTION NEW INCOME-BANDED SCHEME

The Committee considered a report by the Head of Resources (circulated previously) regarding the Council Tax Reduction New Income-Banded Scheme.

The Accountancy Services Manager highlighted the following:

- The 'old' Council Tax Benefit scheme was replaced in 2013 by a new localised Council Tax Reduction Scheme.
- Each year the scheme was reviewed and the Devon Steering Group (of Benefits Officers) work together on reviewing the schemes; over recent years there have been some minor changes to bring the scheme in line with changes made by Central Government in Housing Benefit and Universal Credit.
- The 'current' scheme had been reviewed and Devon Authorities have aimed to move to a "new discount based income-banded scheme" that was fairer, simpler and reduce administration costs.
- This reduced administration burden would enable the team to focus resource onto overall Council tax debt recovery and improve the overall collection rates.
- Previously Council Tax Reduction (CTR) was assessed and awarded in line with Housing Benefit (HB). The advantages of this alignment had been lost since the roll out of Universal Credit (UC) in July 2018.
- UC was highly reactive to change and the Council can typically receive monthly notifications from the Department of Works and Pensions of a change in income (often very small sums) as the CTR scheme was fully means tested. Even a trivial change such as this would result in reassessment, requiring an amended Council Tax bill to be produced and rescheduling instalment plans, restarting the debt recovery process all over again.
- Households were often issued with many bills, frequent change of instalments/direct debits and was extremely confusing for them and difficult for them to budget or understand exactly what was due to pay. These continual set-backs for customers, who were already on low income then were often required to owe a lump sum at the end of the year due to these constant changes.
- For these reasons and to minimise the number of changes to CTR assessment Councils across the Country are starting to move towards a discount based income-banded scheme, which was simpler and cheaper to administer.

- South Hams and West Devon introduced an income-banded scheme for the current year April 2019 and the Devon Benefits Officer Group was recommending that the other Local Authorities follow suit for 2020/21.
- Introducing the income banded scheme based on current caseload would result in over 80% of claimants ending up better off.
- Consultation on the proposals was undertaken from September until October 2019 via press releases, on the Council's website, social media, direct mailshots within council tax bills and benefit notifications and advertising within our Council offices.
- Responses to these consultations were detailed within Appendices D and Appendix E. The response level to the consultation was relatively low however the majority of those responses were in favour of the proposed changes.
- Before CTR the old Council Tax Benefit Scheme cost the public purse around £7.5million.
- The first year of the CTR scheme was estimated to reduce this cost to £6.5million; however the actual scheme costs have come down from £6.3million to £5.6million currently.
- The impact to North Devon Council was the same as the % split of the overall Council Tax that includes all the major preceptors (about 10% of the costs relate to North Devon Council, with 72% Devon County Council, 10% Police, 5% Fire and 3% Town and Parishes).
- The proposed income banded scheme increased the scheme costs by an estimated £180,000, however the overall scheme costs since 2013/14 have reduced significantly (£6.3million down to £5.6million currently).
- Collection rates of overall Council tax have suffered in recent years. In 2013/14 the Council budgeted for a 98.5% collection rate; this rate had now reduced to 97.5%. An improvement of just 0.5% in this collection rate would achieve an additional £340,000 council tax income; mitigating the above additional scheme cost.
- The aim of the changes proposed were to reduce the administration burden and with the scheme benefits introduced it was anticipated that the ability of payment should improve and therefore collection rates increase. Together with reduction in providing for bad debts and longer term write offs, these measures would aim to offset the above additional scheme cost and therefore not impact the overall collection fund position materially and hopefully improve this position further.

In response to questions, the Assistant Benefits Manager advised the following:

- That South Hams and West Devon had not experienced any problems following the introduction of the income banded scheme for the current year.
- The current maximum level of reduction customers can receive was 75% and the new scheme would increase this level to 80%. The Council Tax bills increased annually, however the benefits customers received were frozen every year, therefore the majority of customers would be better off as they would only need to pay 20%.
- Measures had been put in place to ensure that the most vulnerable customers were protected.

- The Exceptional Hardship Policy was available to customers who were worse off and suffering from exceptional hardship. The Fund was approximately £40,000, which was never spent in full. It was considered that the Fund was sufficient should it need to be utilised when introducing the new scheme. Upon receipt of applications, officers calculated the applicants income and expenditure to assess whether they were eligible to apply for funds from the Exceptional Hardship fund.
- Some of the comments made by customers as part of the consultation were from individuals who were not in agreement with a CTR.
- Officers signposted customers to the Citizens Advice Bureau (CAB) where appropriate. The Council no longer provided the budgeting service for customers and this role was now undertaken by the CAB. However, if customers required assistance with completing the application form to the fund, support was provided either by assessors or by a visiting officer.

RECOMMENDED:

- (a) That a new 5 banded Council Tax Reduction Scheme as set out in Appendix A of the report be adopted from 1 April 2020;
- (b) That the Equality Impact Assessment in relation to the scheme, as set out in Appendix B of the report be noted; AND
- (c) That the Exceptional Hardship Policy in relation to the Council Tax Reduction Scheme, as set out in Appendix C be approved.