

REPORT TO: STRATEGY AND RESOURCES

Date: 2 December 2019

**TOPIC: COUNCIL TAX REDUCTION
NEW INCOME-BANDED 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. The Devon Local Government Steering Group and Benefits Officers Group work together in reviewing the Council Tax Reduction (CTR) Schemes across the county. 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- 1.4 The current CTR scheme is complex and out of date. The Government has reduced the funding for the scheme by approximately 43% since 2013, so Devon Authorities are aiming to move to a new discount-based income-banded scheme that is fairer, simpler and reduce administration costs. We are proposing to make this change to North Devon Council's Working Age scheme from April 2020
- 1.5 The reduced administration burden will enable resource to be re-directed within the team to concentrate/focus on overall Council Tax recovery and improve the collection of this debt.

2 RECOMMENDATIONS

That Strategy and Resources:

- 2.1 Recommends to Council that it adopts a new 5 banded CTR Scheme as set out in **Appendix A** from 1 April 2020.

- 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 2020-21.

4 REPORT

- 4.1 'Full Service' Universal Credit (UC) was introduced in the North Devon Council area on the 4 July 2018. This means that Working Age customers, with the exception of certain smaller groups, have not been able to claim Housing Benefit (HB) since that date. New claimants and those experiencing a 'triggering' change in circumstances must now apply to the DWP for UC, which includes an amount towards their Housing Costs, and to the Council for CTR.

Previously, CTR was assessed and awarded in line with HB. The introduction of UC means that the advantages arising from this alignment have been lost.

Since the rollout of UC, CTR administration has become increasingly difficult. This is because UC is highly reactive to change, and Local Authorities typically receive notifications from the DWP of a change in income every month for each customer. These changes are often insignificant (e.g. £1 variation in earned income) but, as CTR schemes are fully means tested, even a trivial change requires reassessment, triggering an amended Council Tax bill and rescheduling of the instalment profile. As a result, some households are issued with many bills and a bewildering number of changed instalments each year. This can make it difficult for taxpayers to budget or even to understand what Council Tax is due.

As there are minimum notification times for instalments, these continuous changes can result in cancellation of the next Direct Debit due, with instalments effectively delayed by one month. Where such changes take place every month, it is possible for Direct Debits to be continually set back so the customer, already on a low income, then needs to pay a lump sum at the end of the financial year.

Now that the link with HB has been broken, the burden of carrying out a full means test assessment for CTR cannot be justified. This is compounded by the fact that over half of our current Working Age caseload is 'Passported' i.e. CTR support is automatically awarded by receiving a qualifying state benefit. This is not available under UC as 'passporting' ceases to exist, further increasing the admin burden for future claims. The current CTR scheme is therefore complex and out of date.

The funding available from Government has reduced by approximately 43% since 2013 and is expected to fall more sharply as more and more cases move onto UC,

resulting in more of the admin cost having to be met by the Council. Even it was desirable to retain the previous means tested system, the administrative costs involved would be prohibitive.

For the reasons outlined above, Councils across the country are starting to move to discount-based income-banded schemes which are much simpler and cheaper to administer. We are therefore aiming for a new 'income grid scheme' that is fairer, simpler and reduces administration costs.

- 4.2 South Hams and West Devon introduced an income-banded scheme in April 2019 and the Devon Benefit Officer Group is recommending that the other Devon LAs follow suit in 2020-21.

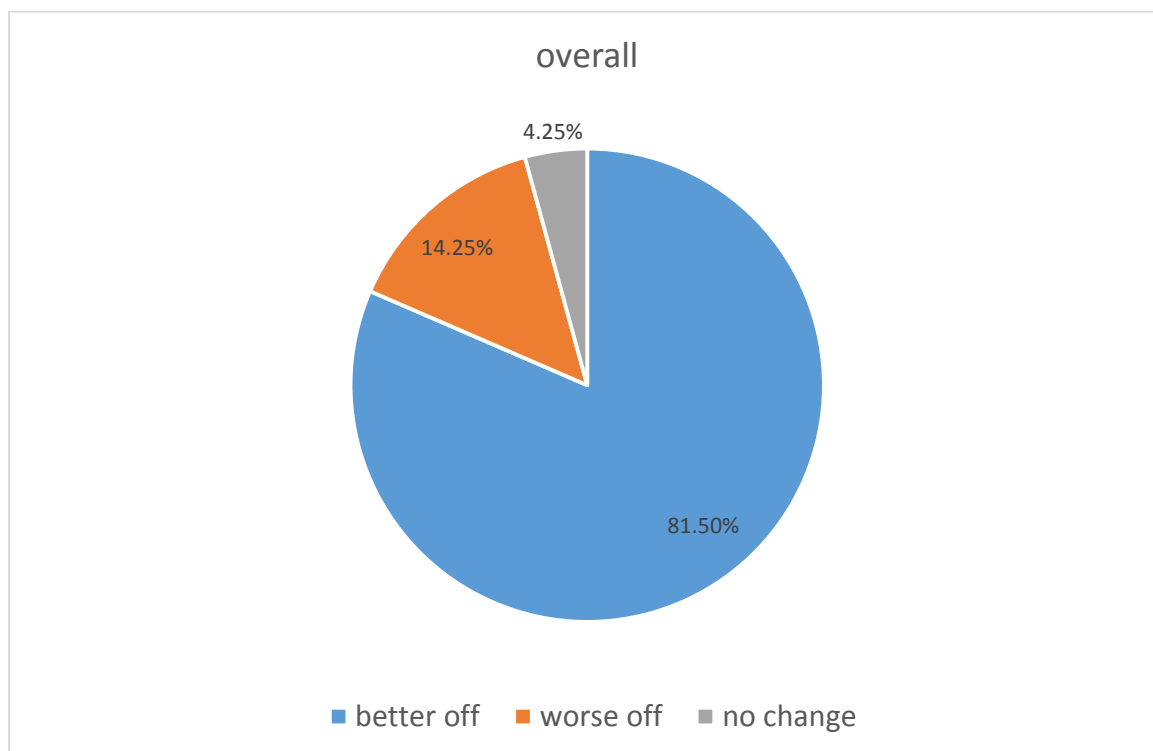
In North Devon, we are proposing the following changes from April 2020;

Proposal 1 - Introduce an income Banded Scheme

This means that the amount of support customers will receive depends on where their income falls within a range of specified bands.

Under this new scheme, small changes in income are much less likely to cause a change in the amount of support awarded, as a change would only occur if the total income moved into a different income band.

The overall effect of this proposal on our current caseload (as it stands to date) is shown below.



Proposal - 2 Increase Maximum amount to 80% of liability

Increasing the maximum level of reduction customers can receive from the current 75% to 80%.

All the customers who qualify for maximum support under the new scheme will have a higher proportion of their bill paid, leaving them less to pay, thereby increasing the likelihood of the Council being able to recover the amount due.

Proposal 3 - Limiting the number of dependent children included in the assessment to two.

This is in line with the rules for Universal Credit, Housing Benefit and Tax Credits. This rule will not apply to claims where the customer, any partner or dependent child, receives any disability benefits

Proposal 4 - Introducing a standard Non-Dependant Deduction

The Council expects that non-dependants make a financial contribution to the household running costs. These contributions are called non-dependant deductions. The Council currently makes a range of deductions depending on the circumstances and income of the non-dependant. The minimum deduction is currently £4.00 per week and the maximum is currently £12.20 per week. These deductions do not apply if the applicant or their partner receive disability benefits.

This proposal is to introduce a standard £4.00 deduction.

Proposal 5 - One standard disregard for earned income of £25 per week

This proposal replaces and simplifies the previous earned income disregards. Currently, the amount of earnings ignored is different for couples with children, at £10, and lone parents at £25, with some cases attracting an additional £17.10 disregard. Under the proposed scheme, there will be just the one £25 disregard per claim for earned income, meaning customers will find it much simpler to see what disregards may be applied.

Proposal 6 - Extra Disabled Income Disregard

This proposal introduces an additional £25 earned income disregard where the customer or partner is disabled and receives the appropriate qualifying disability benefit.

Proposal 7- To disregard Carers Allowance

This proposal means that any customer who is unable to work as they are a full time carer will not have their Carer's Allowance (or the Care Element of their UC award) taken into account when calculating their level of support. Any customer who falls into this group will benefit from this proposal and no-one will be worse off as a result.

Proposal 8 – Removal of the one-month Backdating limit

This proposal means we will be able to look at past periods for customers if they can show good cause for not contacting us sooner. This will not change any current claims but will mean we will be able to help more customers in the future.

Proposal 9 – Changes to take effect from the date of change

With the current scheme, any changes to a customer's circumstances, e.g. a wage increase or a child being born, affect their award from the Monday after the date of the change. Under this proposal, all changes will take effect from the date they occur.

This will make things more straightforward for the customer. It will also mean that customers do not gain or lose out based purely on the day of the week a change happens to occur.

Proposal 10 - Remove Extended Payment Period

If a customer comes off a Passported Benefit and goes into work, they will no longer receive a four-week run-on of their support. There is no provision within Universal Credit to pay an Extended Payment Period.

Proposal 11- Remove the Family Premium

This was removed from benefits generally in May 2017

Proposal 12 - Disregarding Universal Credit Housing Cost Element.

This means that the Housing Element of UC will be disregarded in the same way as Housing Benefit.

4.3 The Council undertook a comprehensive consultation on the above proposals from the 9th September 2019 - 20th October 2019. 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.
- Advertising posters displayed in our three community offices

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

A total of nine 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.

In addition to the proposed changes, we also considered the following:

Continuing with the current scheme:

- This would mean continuing with higher administration costs and the inefficiencies within the current scheme from non-material change of circumstances.

- The current scheme will not work effectively with the Government's Universal Credit system as the multiple changes in Universal Credit will inevitably lead to multiple changes in CTR, thereby increasing the costs for all Council Tax payers in the District.

Reduced funding to other Council services to pay for additional administration costs:

- Keeping the current CTR scheme will mean an increase in non-funded administration costs and therefore less money available to deliver other Council services

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) has a current forecasted cost to the Council of **£5.60m**

5.3 Based upon current modelling the proposed banded scheme above does **increase the scheme costs by an estimated £0.18m** (overall increase of 3.3%). However, as shown above in 5.2; the overall scheme costs since CTR scheme was introduced have reduced significantly; £6.3million in 2013-14 down to £5.5million in 2018/19.

5.4 The area Councils have all struggled with under the CTR scheme is the collection of the debts. The collection rates have suffered (not all due to CTR of course) and back in 2013/14 we were budgeting for a 98.5% collection rate overall, now we are down to 97.5%. An improvement of 0.5% in this collection figure would achieve an additional £340,000 (£0.34m) council tax for the collection fund.

5.5 The aim of some of the changes within the new banded scheme are reduced administration costs and by having an 80% maximum rather than 75% will improve ability for improvement of payment and thus collection rates increase, together with reduction in bad debt provision and longer term write offs; these measures would aim to mitigate the increased scheme cost as shown in 5.3 – thus not impacting the overall current collection fund position materially and hopefully improve this position further.

- 5.6 In order to administer a banded scheme, we require a new software package/module. The new module needed to administer a CTR 'banded scheme' would be in addition to the current modules running off the core database already in existence. The cost of the new module can be funded from an earmarked reserve already in place for system improvements.

6 EQUALITIES ASSESSMENT

- 6.1 EIA attached at Appendix B

6.2 CONSTITUTIONAL CONTEXT

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

7 STATEMENT OF CONFIDENTIALITY

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

8 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.

9 STATEMENT OF INTERNAL ADVICE

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

Author: Julie Dark
Reference: Document5

Date: 7/11/19