

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance

To: Cabinet Tuesday, 23 July 2019

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Subject Local Council Tax Support Scheme 2020/21 - Consultation

Purpose: To consider options for the local Council Tax Support scheme for 2020/21.

Recommendation(s):

1. That Cabinet approves consultation on the following options: -
 - a) Uprating and harmonisation of the scheme as appropriate to the DWP welfare reforms in Housing Benefit and the prescribed scheme for pensioners for 2020/21 and future years, and
 - b) Introduce a link to the award of Universal Credit, removing the need for customers to make a separate application for Council Tax Support, and
 - c) Introduce a tolerance rule for Universal Credit customer change in earnings, suggested £15 per week with the final amount determined through consultation and analysis.

1.0 BACKGROUND

- 1.1 Each year the Council is required to consider whether to review its local Council Tax Support (CTS) scheme. This report advises Cabinet about the conclusion of the 2019 annual review and the resultant proposals for consultation in respect of changes to the 2020/21 scheme.
- 1.2 The Local Government Finance Act 2012 sets out the process by which Councils must approve a local Council Tax Support scheme. Regulations include protection for pensioners but allow Councils to make changes in the way that support is calculated for working age claimants.
- 1.3 Where Councils seek to amend their scheme it is necessary to consult major preceptors and stakeholders to inform a final scheme design.
- 1.4 The current South Holland scheme provides a maximum amount of 70% support for working age claimants. It protects War Pensioners, and from 2019/20 a new class was introduced for Care Leavers aged 18-21.
- 1.5 A number of changes were introduced in financial year 2017/18, and these are summarised below for information: -
 - Second Adult Rebate removed from 2019/20. (This affected households where the claimant's own income is too high to receive CTS, but there were other adult(s) living in the household whose combined income is low).

- A minimum level of CTS at £5 per week was introduced. (Where the amount of CTS each week would be less than £5, no CTS is now awarded).
- An increase in non-dependent deductions by 10% was implemented. (A non-dependent is an adult living with a claimant but who is not dependent upon them, for example an adult son or daughter. Non-dependents are now expected to contribute more towards the household's Council Tax bill).
- Restricted CTS to Band D. (This means claimants living in dwellings that are banded E, F, G or H have their entitlement to CTS calculated at the level of Council Tax Band D).
- Reduced the Capital Limit to £8,000. (This means claimants with more than £8,000 in capital are no longer entitled to any CTS).
- Reduced the lower capital threshold to £3,000. (This lowered the amount that is disregarded in the calculation of CTS).
- Limited backdating to 1 month. (This change was in line with the changes made by DWP for Housing Benefit).
- Removed family premium for new claims. (This change was in line with changes made by DWP for Housing Benefit).

2.0 FUNDING THE COUNCIL TAX SCHEME

- 2.1 In 2013/14, the amount of Government grant available to meet the cost of any support was reduced by approximately 10% nationally, although at a local level this equated to an 11.4% cut. From 2014/15 the Government grant has been subsumed within the Revenues Support Grant (RSG), and is not separately identifiable.
- 2.2 In June 2019 the amount of CTS discount awarded for 2019/20 was £4,104,125. Caseload and expenditure will continue to fluctuate through the remainder of the financial year.

The table below shows the profile of Council Tax Support caseload and expenditure in June 2019. The cost to South Holland being approximately £418,621 (10.2%).

	Total Caseload	Percentage	Amount of CTS
All Groups	5,093		£4,135,224
Elderly	2,939	57.7%	£2,665,339
Working Age	2,154	42.3%	£1,469,885

- 2.3 2019/20 is the seventh year of the local Council Tax Support scheme. The following table compares in-year collection rates since introduction of the changes in 2013/14. (2012/13 in-year collection performance is also shown for information).

Date	Collectable Debit	In-Year Collection Rate
2012/13	£35.4m	97.90%
2013/14	£36.7m	97.94%
2014/15	£37.8m	97.86%
2015/16	£39.1m	98.05%
2016/17	£41.1m	98.19%
2017/18	£43.3m	98.06%
2018/19	£46.2m	97.83%

In-year collection rate as a percentage in 2018/19 was marginally lower than previous year, however over £2.7million more Council Tax was collected in 2018/19. Factors that affect in-year collection are the level of CTS awarded following changes introduced in the 2017/18 scheme, and also the introduction of Universal Credit (UC) full service in 2018.

- 2.4 Whilst in-year collection is relatively consistent there remains £177,330 outstanding in summonsed arrears in respect of the six previous year's council tax support cases, representing 0.4% of the total arrears for 2013/14 to 2018/19. Recovery and collection continues beyond the end of the year in question, however the prospect of recovery reduces. Provision for bad debt has been made.
- 2.5 The Local Government Finance Act 2012 and subsequent regulations granted billing authorities greater discretion over discounts and exemptions for certain categories of empty dwelling from 1st April 2013.
- 2.6 Changes, decided by Council in January 2013, were introduced from 1st April 2013 to increase the council tax base and potential revenue to help fill the funding gap arising from the cut to grant in respect of CTS. Following a resolution by Council, from 1 April 2019, the premium Council Tax on properties which are empty and unoccupied for more than 2 years increased from 50% to 100%, increasing Council Tax payable to 200%.

3.0 2020/21 SCHEME REVIEW, OPTIONS TO CONSIDER

3.1 Annual uprating for 2020/21 and future years

- 3.1.1 Each year, as part of its decision making process for the forthcoming year, the Council has resolved to uprate its scheme in line with Department for Work and Pension (DWP) annual update of allowances and premiums for Housing Benefit.
- 3.1.2 It is proposed that as part of this review that the decision for annual uprating and harmonisation of the scheme as appropriate to the DWP welfare reforms in Housing Benefit and the prescribed CTS scheme for pensioners is made for 2020/21 and to also apply in subsequent financial years.

3.2 Link CTS to the award of UC

- 3.2.1 Since the implementation of the full Universal Credit (UC) service in 2018, the majority of new claims now go through UC of which details are received by the council through the Universal Credit Data Sharing hub (UCDS).
- 3.2.2 The introduction of a link to the award of UC for CTS would remove the current requirement for the customer to make a separate application for CTS. Once a UCDS new claim notice is received from the DWP indicating the customer wishes to apply for CTS, this will trigger a CTS calculation based on a standard calculation, to then be revised at the point of first UC payment, 5-6 weeks later.

3.3 Introduce a tolerance rule for the revision of earnings

- 3.3.1 UC is paid monthly, calculated on the customer's circumstances including earnings. Given that customers' circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP. Under existing Council Tax Support scheme

rules, the Council is required to revise awards when a customer's Universal Credit changes. In turn this means customers receive a revised Council Tax bill for the balance due for the year, and have to amend their payment arrangements. This can increase customer contact regarding these notifications because customers are unsure what they have to pay due to the requirement to re-profile their Council Tax payments. This uncertainty also impacts on Council Tax collection as well as increased administration costs and postage associated with producing additional notification letters.

- 3.3.2 The introduction of a tolerance rule into the scheme would have the effect of 'freezing' a customer's assessment when a revised UCDS notification would otherwise have triggered a reassessment of CTS. UCDS changes notified above the tolerance level would be processed as usual, whereas changes within the tolerance level would not be updated, and therefore no correspondence would be issued to the customer and the would be no amendment to Council Tax repayments.
- 3.3.3 A relatively small tolerance level would ensure smoothing of customers fluctuating UC awards and not disadvantage those customers receiving greater or occasional beneficial changes. Where a customer's circumstances noticeably change, for example employment ceases, the tolerance rule would not apply given the change would be greater than the tolerance level and this would trigger an immediate adjustment to CTS to provide extra benefit.
- 3.3.4 It is also recommended that the changes provide for discretion to reassess entitlement where a reduction in earnings occurs and it is clear the level of earnings will likely continue at a lower rate.
- 3.3.3 A weekly tolerance level of £15, for example, would equate to less than two hours employment at national minimum hourly rates. During the consultation period, an analysis of UCDS award notifications will be undertaken to help inform final decision making in terms of the level at which tolerance should be set.

4.0 OPTIONS

- 4.1 Option 1 – all options as set out in section 3 above. Recommended.
- 4.2 Option 2 – Some, but not all, of the options in section 3 above.
- 4.3 Option 3 – do nothing. Retain the same scheme, unchanged, for 2020/21. The current scheme would continue into 2020/21 however the benefits of the changes outlined in Section 3 of this report would not be achieved.

5.0 REASONS FOR RECOMMENDATION(S)

- 5.1 The recommendation will continue to align the CTS scheme and uprating for working age customers with DWP provisions for Housing Benefit and the CTS scheme for pensioners. This has been consistent each year since the introduction of local Council Tax Support schemes, and if determined for 2020/21 and future years will remove the need for this decision to be taken each year, however it would not prevent a different decision in future years if desired.

- 5.2 The recommendation to link CTS with the award for UC will make it simpler and more timely for customers to access CTS, preventing delay and potential loss in support (under scheme rules, if an application is made late it can only be backdated for 1 month).
- 5.3 The recommendation to introduce a tolerance for earnings changes will reduce the number of notifications customers receive to amend their Council Tax payments, and provide stability for customer repayments whilst at the same time reducing customer contact.

6.0 **EXPECTED BENEFITS**

- 6.1 Simplified and timely access to Council Tax Support for Universal Credit claimants. Reduced customer notifications and contacts and more stable repayment arrangements for customers.

7.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

7.1 **Constitutional & Legal**

- 7.1.1 There are no legal implications as this report relates to consultation.

7.2 **Equality and Diversity / Human Rights**

- 7.2.1 The existing Council Tax Support scheme continues to be delivered on the basis of the DWP's previous Council Tax Benefit scheme regarding protection for vulnerable groups, including children and the disabled. Therefore an equality impact assessment is not considered necessary at this time.

7.3 **Financial**

- 7.3.1 The proposals in this report for consultation would not significantly affect the cost of the current scheme. However, CTS is demand led, and if successful applications were to increase then expenditure would increase.

7.4 **Stakeholders / Constitution / Timescales**

- 7.4.1 Consultation will be carried out if Cabinet agree the recommendations. We will work with the Communications team to organise and run the consultation exercise.

8.0 **WARDS/COMMUNITIES AFFECTED**

- 8.1 All

9.0 **ACRONYMS**

- 9.1 CTS – Council Tax Support
- 9.2 RSG – Revenue Support Grant
- 9.3 UC – Universal Credit

- 9.4 DWP – Department for Work and Pensions
- 9.5 UCDS – Universal Credit Data Sharing

Background papers:- None

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

None