

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance and Executive Director - Commercialisation (S151)

To: Cabinet Tuesday, 3 December 2019
South Holland District Council – 22 January 2020

(Author: Sharon Hammond Head of Revenues & Benefits)

Subject Local Council Tax Support Scheme 2020/21

Purpose: For each financial year a billing authority must consider whether to revise its Council Tax Support scheme, or replace it with another scheme. This report seeks Cabinet decision on the final proposals for the 2020/21 scheme, to be presented to Council for approval on 22nd January 2020.

Recommendations:

1. That Cabinet approves, and recommends to Council: -
 - 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 £15 weekly (£65 monthly) tolerance rule for Universal Credit customer change in earnings.
2. Delegation to Executive Director, Commercialisation in consultation with Portfolio Holder for Finance to approve the final scheme policy in line with this report.

1.0 BACKGROUND

- 1.1 The local Council Tax Support (CTS) scheme replaced the former national Council Tax Benefit (CTB) scheme from April 2013.
- 1.2 Each year the Council is required to consider whether to review its local Council Tax Support (CTS) scheme. The Local Government Finance Act 2012 sets out the process by which Councils must approve a 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 introduced a new class for Care Leavers aged 18-21.

1.5 A number of significant 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 CURRENT SCHEME REVIEW

2.1 At June 2019 the forecasted amount of CTS discount for 2019/20 was £4,104,125, with a total caseload of 5,094 of which 2,149 (42%) are working age, compared to 2,945 (58%) pensioners. The working age claimant element costs are approximately £1,446,801, with £147,574 (10.2%) borne by this council.

2.2 The following table shows 2019/20 forecast expenditure and indicates the potential cost to South Holland District Council, and the other major precepting authorities. Caseload and expenditure will continue to fluctuate through the remainder of the financial year.

	2019/20 forecast
CTS Expenditure	£4,104,125
Cost to South Holland District Council (approx. 10.2%)	£418,621
Cost to Lincolnshire County Council (approx. 75.7%)	£3,106,822
Cost to Police and Crime Commissioner (approx. 14.1%)	£578,682

2.3 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 collection include 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. As anticipated, collection and recovery is becoming increasingly challenging, and this will continue to be monitored carefully. 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.

- 2.4 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.
- 2.5 Changes, decided by Council in January 2013, were introduced from 1st April 2013 to increase the council tax charged on empty dwellings 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. **ESTABLISHING A COUNCIL TAX SUPPORT SCHEME FOR 2020/21**

- 3.1 Following the roll out of Universal Credit during 2018, consideration has been given to the impact on claimants, and the relationship with claiming Council Tax Support. The proposals for 2020/21 would see the scheme continue to be uprated in line with DWP annual update of allowances and premiums for Housing Benefit, and, whilst not making administrative efficiencies, would simplify the process for Universal Credit claimants.
- 3.2 The proposals considered, and approved for consultation, by Cabinet on 23rd July 2019 are detailed below.

- **Annual uprating for 2020/21 and future years**

- 3.2.1 It is proposed 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.

- **Link CTS to the award of UC**

- 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 Universal Credit Data Sharing new claim notice is received from the DWP indicating the customer wishes to apply for CTS, this will trigger an automatic CTS claim.

- **Introduce a tolerance rule for the revision of earnings**

- 3.2.3 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 debt is pushed towards the end of the financial year, as well as increasing administration costs and postage associated with producing additional notification letters and bills.

- 3.2.4 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 that are outside 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 there would be no amendment to Council Tax repayments.
- 3.2.5 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.
- 3.2.6 It is also recommended that the changes provide for discretion to reassess entitlement for example, where a reduction in earnings occurs and it is clear the level of earnings will likely continue at a lower rate.
- 3.3 The Local Government Finance Act requires that before a scheme can be adopted by the billing authority, it must: -
- (a) Consult any major precepting authority which has power to issue a precept to it,
 - (b) Publish a draft scheme in such manner as it thinks fit, and
 - (c) Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

4 CONSULTATION

- 4.1 On 23 July 2019, Cabinet approved consultation on the proposals set out above. The consultation exercise ran between 24th September and 8th November 2019.
- 4.2 Consultation has been carried out with the major precepting authorities. Lincolnshire County Council had no comments to make regarding the proposals. The Police and Crime Commissioner has no desire to make additional service reductions, or increase council tax to fund shortfalls arising from CTS schemes, and supports proposals which eliminate, or at least minimise, the consequent funding reductions.
- 4.3 The wider public consultation included publicity through local media, website and social media. A total of 43 responses have been received, however the number responding to individual questions ranged from 34 - 43. Although this is an increase on last year, it is still a low response rate and as such it has to be recognised that the results cannot be relied upon as being wholly representative or statistically significant.
- 4.4 High level findings from the consultation responses are summarised below:
- The majority of respondents (79%) felt the council should retain the main characteristics of the current Council Tax Support scheme for the next financial year to provide continuity.
 - 68% of respondents felt that the current scheme is fair and provides support to the most vulnerable.

The opportunity was also taken to seek views on whether there were other people who should be protected when considering future Council Tax Support scheme changes. 32% of respondents felt others should be protected, although there was no common theme for suggested groups; 37% did not feel any other people should be protected.

- 65% of respondents agree with the proposal to increase our scheme in line with the DWP provisions for allowances and premiums for 2020/21 and future years.
- 69% agree with the proposal to introduce a link to the award of Universal Credit, removing the need for customers to make a separate claim for Council Tax Support.
- 88% agree with the proposal to introduce a tolerance level.

Whilst there was significant agreement to introduce a tolerance level, the views on what the tolerance level should be was more divided, with 13% - 19% selecting the various the incremental options which ranged between £10 - £35 per week.

4.5 The consultation report is shown at Appendix A.

5 ADDITIONAL DATA ANALYSIS

5.1 In respect of the proposal to introduce a tolerance within the scheme for earnings changes, an analysis of UCDS award notifications for the period April to October 2019 has been carried out. The table shows the average level of reduction in reassessments, per month, for changes in UC banded in £5 increments were a tolerance rule to be applied.

	+/- £10	+/- £15	+/- £20	+/- £25
Reduction in assessments	32%	44%	51%	65%
Average number of claimants affected per month	57	79	90	127

5.2 On this basis a weekly tolerance level of £15 (£65 monthly) is recommended, which would be applied to increases and reductions. This would equate to less than two hours employment at national minimum hourly rates. This would achieve a 44% reduction in revised Council Tax adjustments. It is considered that £10 per week would be less effective, whilst to increase the amount further could have a greater negative impact on those who have a reduction in their monthly UC award.

5.3 Concern was raised at the 23rd July Cabinet meeting that the proposed £15 per week was too low as individuals could find themselves moving in and out of the benefit system. This will not however be the case as by the nature and intent of UC, customer's claims will remain open with their monthly award adjusted to reflect changed circumstances. Equally they will remain on CTS unless or until their circumstances change to the extent they no longer qualify. The introduction of this relatively small tolerance would however ensure smoothing of customers fluctuating UC awards whilst not disadvantage those customers receiving greater or occasional beneficial changes, in turn providing more stability.

5.4 The inclusion of 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 within the CTS scheme will ensure individual circumstances can be appropriately administered.

5.5 The analysis reveals that the introduction of a tolerance would be relatively equal between those earning up to £15 more, or reducing by up to £15 per week, and therefore it is not anticipated there would be significant change to the level of CTS expenditure. For the cases affected, a small reduction in customer contact, printing and postage is anticipated.

6.0 **OPTIONS**

6.1 Option 1 - recommended

Continuation of the current scheme into 2020/21,

- Uprated in line with DWP's annual update of allowances and premiums for housing benefit for 2020/21 and future years, and
- Link the Council Tax Support to the award of Universal Credit, and.
- Introduce a tolerance rule for the revision of earnings at £15 per week, with officer discretion to update assessments on a case by case basis subject to individual circumstances.

6.2 Option 2

Continuation of the current scheme into 2020/21, uprated in line with DWP's annual update of allowances and premiums for housing benefit, but not to introduce the link to Council Tax Support, or the tolerance rule for earnings.

This would require Universal Credit claimants to continue to make a separate application for Council Tax Support to the local authority, and require CTS to be recalculated for all monthly changes in UC.

6.3 Option 3

Do nothing. This would have the effect of carrying the 2019/20 scheme over to 2020/21 without any changes (other than the prescribed changes for pensioners).

6.4 No alternative options are proposed. Any other changes to the scheme would require consultation.

7. **REASONS FOR RECOMMENDATION(S)**

7.1 This 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.

7.2 Linking 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).

7.3 Introducing 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 potentially reducing customer contact.

8 EXPECTED BENEFITS

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

9 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.

9.1 Financial

- 9.1.1 Council Tax Support scheme costs in 2019/20 are forecast to be approximately £4,104,125.
- 9.1.2 Working age claimant element costs approximately £1,446,801, with £147,574 (10.2%) borne by this Council.
- 9.1.3 Further financial information is contained in the report.

9.2 Stakeholders / Constitution / Timescales

- 9.2.1 Legislation requires consultation to be carried out with major precepting authorities and the public where changes to the scheme are proposed. Consultation has been carried out.
- 9.2.2 Final schemes must be decided by 11th March preceding the year to which the scheme relates.

10 WARDS/COMMUNITIES AFFECTED

- 10.1 All.

11 ACRONYMS

CTB – Council Tax Benefit
CTS – Council Tax Support
DWP – Department for Work and Pensions
UC – Universal Credit
UCDS – Universal Credit Data Share

Background papers:- None

Lead Contact Officer

Name and Post: Sharon Hammond Head of Revenues & Benefits
Telephone Number

Email: Sharon.Hammond@pspsl.co.uk

Key Decision: N

Exempt Decision: N

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Consultation Report