

## **TELFORD & WREKIN COUNCIL**

**FULL COUNCIL - 23 JANUARY 2020**

### **COUNCIL TAX REDUCTION SCHEME FOR 2020/21**

#### **REPORT OF THE EXECUTIVE DIRECTOR – HOUSING, COMMUNITIES & CUSTOMER SERVICES**

**LEAD CABINET MEMBERS CLLR LEE CARTER, CABINET MEMBER FOR FINANCE, COMMERCIAL SERVICES AND THE BOROUGH ECONOMY & CLLR RAJASH MEHTA, CABINET MEMBER FOR COMMUNITIES & INCLUSIVITY**

### **PART A) – SUMMARY REPORT**

#### **1.0 SUMMARY OF MAIN PROPOSALS**

- 1.1 The Council currently provides Council Tax Support (CTS) to around 14,100 claimants, of which 8,331 are of working age. Residents who are of state pension age (a minimum 65 years of age for both men and women) are protected under the Government scheme, in that the calculation of the support they receive is set by Central Government. For working age applicants however, the Council Tax Support they receive is determined by the Local Authority.
- 1.2 The main objective of the proposed new 'Council Tax Reduction Scheme' (CTRS) attached in (**Appendix A**) is to provide greater financial assistance to working age customers within the borough, many of whom are on the lowest income. It has recently become apparent, following close scrutiny of Council Tax collection data, that customers in this group are struggling to afford the Council Tax contribution that we are asking them to pay from their limited income.
- 1.3 The deployment of Universal Credit within the borough by the Department for Work and Pensions (DWP) has also brought its challenges, and has resulted in the Council needing to change its approach to Council Tax Support. The current scheme is too reactive to very minor changes in an applicant's income, leading to constant changes in Council Tax liability, resulting in numerous bills being generated for each household, which can be very confusing.
- 1.4 As a result, we are proposing to move to an income-based grid scheme (also commonly referred to as a banded scheme) without the complexities of a full means test required by our current scheme. The new scheme aims to rebalance the distribution of the available funding to ensure that the most financially deprived customers can receive a greater level of support than the current scheme allows.
- 1.5 A formal consultation regarding the proposed changes was undertaken with residents and key stakeholders between 30 September 2019 and 10 November 2019. 61% of respondents confirmed their support for the proposed new banded scheme in comparison to 24% who were not in favour.

- 1.6 The proposed new scheme will still retain a number of 'incomes' that will be disregarded to protect vulnerable residents including Child Benefit, Disability Living Allowance / Personal Independence Payments, Armed Forces Independence Payments, War Widow(er)'s Pension, War Disablement Pension, Carers Allowance, Support Component of Employment and Support Allowance and disregarding the first £20 of earned income
- 1.7 A number of working age customers will see a difference in their individual awards once the new scheme is applied. Some customers will see an increase in the level of support received and others will experience a reduction. However, overall this represents a fairer distribution of the funding available, to ensure that the most financially deprived can receive a greater level of assistance than the current CTS scheme allows.
- 1.8 There are 29 Councils currently operating a similar banded scheme to the one being proposed. We are reliably informed that nearly one hundred Councils are planning to move to a banded scheme in 2020, with more indicating that they will adopt a similar approach from 2021/22, many citing the introduction of Universal Credit as the main driver.
- 1.9 Since 2013 a Council Tax Hardship Fund has been approved each year by Cabinet which has been invaluable in providing additional support to the most financially vulnerable customers. Within the budget strategy for 2020/21 funding has been identified for the scheme to continue, allowing for additional tailored financial support whilst, residents adjust to the changes in the proposed new Council Tax Reduction Scheme.
- 1.10 To complement the proposed changes, the Council Tax Reduction Hardship Policy included in (**Appendix B**) has been redesigned to ensure that personalised financial protection can be awarded to the most financially vulnerable customers.
- 1.11 Some working examples of the new scheme can be found in **Appendix C**.

## **2.0 RECOMMENDATIONS**

- 2.1 That Cabinet endorses the new Council Tax Reduction Scheme attached in Appendix A for adoption by Full Council on 23 January 2020, ready for implementation from 1 April 2020.**
- 2.2 That Cabinet approves the redesigned Council Tax Reduction Hardship Assistance Policy attached in Appendix B.**

### 3.0 SUMMARY IMPACT ASSESSMENT

|   |  |   |
|---|--|---|
| <b>COMMUNITY IMPACT</b>   | Do these proposals contribute to specific Priority Plan objective(s)?  |   |
|   | Yes  | Protect and support our most vulnerable children and adults.  |
|   | Will the proposals impact on specific groups of people?  |   |
|   | Yes  | These proposals will impact on all current and future working age recipients of Council Tax Support.<br>A full equality impact assessment of the proposed scheme has been undertaken which is attached at <b>Appendix D</b> . |
| <b>TARGET COMPLETION/ DELIVERY DATE</b>   | The 2020/21 new Council Tax Reduction scheme will commence on the 1 April 2020 following approval by Full Council. |   |
| <b>FINANCIAL/VALUE FOR MONEY IMPACT</b>   |  |   |
| <p>Council Tax Support /Council Tax Reduction (CTS/CTR) is given as a council tax discount i.e. it reduces the council tax bill which in turn reduces the amount of council tax income the Council is able to generate. The discount is applied to the whole council tax bill and so CTS/CTR impacts on the Council, Police, Fire and Parishes.</p> <p>The report outlines significant changes with the current Council Tax Support scheme being replaced by a new Council Tax Reduction (CTR) Scheme in April 2020. The CTR Scheme will be a banded discount scheme. The levels of discount awarded will be 90%, 75%, 50% or 25% dependent on family size and weekly income;</p> <p>The projected cost of the Council Tax Support Scheme in 2019/20 is £12.29m; the cost of the new scheme is estimated to be broadly similar.</p> <p>The cost of CTR together with other changes to the council tax base position, such as growth in the number of dwellings, is included in the Council's overall budget strategy.</p> <p>Currently, around 3% of total council tax income relates to CTS recipients. Overall, council tax collection rates remain positive, although slightly below the target set for the year. Collection will continue to be monitored and reported through the regular financial management reports presented to Cabinet.</p> <p>Council tax income is accounted for through the Collection Fund and ultimately any CTR over/underspends against budget will feed into the Collection Fund surplus/deficit which is shared between major precepting authorities (Police, Fire, TWC). Any surplus is available to feed into future budget strategies.</p> <p>The hardship fund will be accommodated in the 2020/21 budget strategy from within the collection fund.</p> <p>PH 17/12/19</p> |  |   |

## LEGAL ISSUES

The Local Government Finance Act 2012 requires that, for each financial year, a billing authority must consider whether to maintain, revise or replace its Council Tax Support Scheme.

The existing scheme was reviewed by Full Council in January 2018 and no changes were made. With the advent of Universal Credit for residents within the Borough of Telford & Wrekin, it is necessary to consider whether the existing scheme remains effective.

The Council has a statutory duty to consult with all those affected, or who may be affected, on any proposed changes to the scheme to take into account any comments made during consultation. A consultation took place between September and November 2019 on the changes discussed in this report and the consultation responses have been considered when finalising proposals.

AL 25/11/19

## OTHER IMPACTS, RISKS & OPPORTUNITIES

The wider changes to welfare benefits that have been implemented by Central Government over previous years may have a financial impact on many of the same residents who are in receipt of Council Tax Reduction. We will continue to keep this under close scrutiny however year on year the numbers of residents claiming Council Tax Reduction is gradually reducing and the Council Tax hardship fund will be accessible to the most financially vulnerable customers impacted by these changes where needed.

|                                 |    |                     |
|---------------------------------|----|---------------------|
| <b>IMPACT ON SPECIFIC WARDS</b> | No | Borough wide impact |
|---------------------------------|----|---------------------|

## **PART B) – ADDITIONAL INFORMATION**

### 4.0 **Introduction and Background**

4.1 The Government announced as part of the Spending Review in 2010, that it would localise support for Council Tax from 2013/14. Councils were required to establish local Council Tax Reduction schemes (CTRS) to be implemented on 1 April 2013. CTRS was referred to locally as Council Tax Support (CTS).

### 4.2 **The Need for Change**

4.3 There are three main drivers for proposing a change:

- The need to redistribute the funding available so that the most financially deprived receive the help they need.
- The introduction of Full-Service Universal Credit in the borough from November 2018.
- The need to simplify the scheme so customers are able to understand it.

4.4 Our current CTS scheme offers a level of protection to certain customers who are classed as being vulnerable. This means that some customers can continue to receive up to 100% reduction in their Council Tax bill. Customers who currently fall within the vulnerable group are those that are classed as disabled. However, working age customers who are not

classed as vulnerable can only receive a maximum reduction of 75% in the current scheme, even though they often have the very lowest household incomes. It has become more recently apparent that customers in this group are struggling to afford the Council Tax contribution that we are asking them to pay from their very limited income.

- 4.5 Analysis of the Council Tax collection figures shows that collection is significantly lower for those in the “working age” category of our current scheme. These are residents who are usually in receipt of a state benefit such as Universal Credit, Jobseekers Allowance or Income Support. In the current scheme Customers in this group have to pay at least 25% towards their Council Tax. With non-working single customers receiving under £74.00 per week Universal Credit and those under 25 years of age receiving under £59.00 per week, this can represent up to 30% of their weekly income that they are required to pay in Council Tax. It has become more recently apparent that this group, more than any, is struggling to afford the contribution to Council Tax.
- 4.6 By comparison, customers who are currently in our protected vulnerable group are benefiting disproportionately as the majority of their disability related income is effectively disregarded when undertaking our means-tested assessment, and they can be awarded up to a 100% discount on their Council Tax.
- 4.7 These proposed changes still offer significant concessions for customers who are in receipt of disability related benefits or war disablement related payments, however the aim is to re-distribute the funding available by introducing a maximum discount of 90% for all working age customers.
- 4.8 Due to the introduction of Full-Service Universal Credit within the Telford and Wrekin area, the traditional link between Housing Benefit (which is no longer available to most new working-age claimants) and CTR no longer exists. Therefore, it is important that the scheme is changed to enable the Council to best meet the needs of its lowest income households. Additionally, since the introduction of Universal Credit, the administration of the scheme has become particularly onerous and, therefore, the proposed changes will assist in reducing administration costs, ultimately preventing any additional cost being added to Council Tax whilst, at the same time, providing certainty and clarity for customers.
- 4.9 The current scheme is too reactive to very minor changes in an applicant’s income. Universal Credit has been designed to update a customer’s income on a monthly basis and this has led to constant changes in the amount of support received by some customers. Each small change to Universal Credit currently requires a recalculation of Council Tax support, resulting in the issue of a new Council Tax Bill. Some customers can find they are receiving between 12-15 bills each year and this can be confusing. There is evidence to suggest that this situation is also impacting on the recovery of Council Tax.
- 4.10 **Proposed Changes**
- 4.11 One of the key objectives of the proposed changes is to ensure that we rebalance the distribution of the available funding for the scheme to ensure that a greater level of support is allocated to those who are the most financially deprived.
- 4.12 The Council therefore consulted on 11 proposed changes to achieve this objective.

- Introducing an income 'grid' scheme for all working-age applicants, replacing the current means-tested approach, which was based upon the previous Council Tax Benefit scheme (Proposed Change 1);
- Amending the number of dependant children used for the purpose of calculating support to two for all working-age applicants (Proposed Change 2);
- Replacing the protected group category with a targeted Hardship Assistance Policy based on individual requirements (Proposed Change 3);
- Ending the deductions made for having a Non-Dependant adult in the household (Proposed Change 4);
- Replacing the current earnings disregards with a £20 standard disregard for all applicants who are working. (Proposed Change 5);
- Disregarding Carer's Allowance and the Support Component of Employment and Support Allowance, which are currently taken into account as income (Proposed Change 6);
- Removing the Extended Payment provision (Proposed Change 7)
- Making any new claims or changes in circumstances apply from the date on which the claim is made or the change occurs, rather than weekly at present (Proposed Change 8);
- Increasing the backdate period from one month to up to three months (Proposed Change 9)
- Removing the disregard for child maintenance (Proposed Change 10) and
- Removing the benefit cap from the scheme (Proposed Change 11)

Full details of the changes can be found in the *Council Tax Reduction Consultation* document at [www.telford.gov.uk/ctrc](http://www.telford.gov.uk/ctrc).

- 4.13 The Council Tax Reduction Hardship Policy is designed to ensure that anyone affected by these changes, and who genuinely does not have the means to afford any additional Council Tax they are asked to pay, will receive personalised tailored financial assistance.
- 4.14 The amount of discount that is granted to a customer is dependent on their family size and the level of weekly income received. The levels of discount awarded will be 90%, 75%, 50% or 25%. The discount awarded to a customer would only change if an increase or decrease to their income moved them to a new discount band, this means that for the majority of customers only significant changes in income will lead to a change in reduction, which will reduce the number of times a customer will have their discount assessed and be re-billed.
- 4.15 Customers whose discount changes because of the new scheme by more than £1.00 will receive a letter to explain the changes, and those whose discount has reduced will receive details on how they can apply for CTR Hardship Assistance.
- 4.16 **Consultation and Analysis**
- 4.17 A formal consultation on the proposals with residents and stakeholders took place between 30 September 2019 and 10 November 2019. Comments were sought on the proposals through a number of channels.
- Gov delivery email sent to 5,259 current CTS recipients along with two reminders.

- Text messages sent to a further 2,436 customers including reminders.
- An article was included in the weekly Community Newsletter sent to 1,786 email addresses.
- A flyer was included within 5,187 Council Tax Bills and 1,694 Housing Benefit notification letters.
- Emails sent to all key stakeholders including the Fire Service, Police, Parish and Town Councils, Citizens Advice and other advice agencies and Social Landlords.
- Details of the consultation were issued as press releases and on social media channels.
- The consultation was presented to the Wrekin Landlords Forum and the Armed Forces Covenant Meetings.

4.18 The responses overwhelmingly support the adoption of the new scheme and no single proposed change was opposed by the majority of respondents.

4.19 A summary of the results can be found within the Equality Impact Assessment which accompanies this report (**Appendix D**).

## 5.0 **Review of the Scheme**

5.1 The Council will monitor the impact of the changes to the scheme via Council Tax collection figures and the CTR Hardship Applications received. Although the policy has to be considered by Full Council every 12 months it is our intention that the scheme will remain unchanged unless there are technical changes required, or there are any unexpected and unintended consequences resulting from the changes to the proposed new scheme.

## 6.0 **PREVIOUS MINUTES**

6.1 Minute 84 (i) (i) of the Council meeting of 28 February 2019 (Local Council Tax Support Scheme).

## 7.0 **BACKGROUND PAPERS**

Appendix A - Council Tax Reduction Scheme Policy for 2020/21 under S13a (s) and Schedule 1a of the Local Government Finance Act 1992 can be downloaded at [www.telford.gov.uk/CTR202021](http://www.telford.gov.uk/CTR202021)

Appendix B - Council Tax Reduction Hardship Assistance Policy from April 2020.

Appendix C - Working Examples of Council Tax Reduction Scheme from April 2020

Appendix D - Council Tax Reduction Scheme 2020/21 Equality Impact Assessment.

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