

Report of:	Head of Finance
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Key Decision:	No
Report Track:	Cabinet: 30/01/20 Council: 12/02/20

CABINET
30 JANUARY 2020
LOCAL COUNCIL TAX REDUCTION

1 Purpose of Report

- 1.1 To explain the need for changes to the Council's current Local Council Tax Reduction Scheme.
- 1.2 To seek Council approval to adopt the new 'Banded Reduction Scheme' for all claims for local council tax reduction in respect of periods from 1 April 2020 onwards, from claimants of working age.

2 Recommendation(s)

- 2.1 That at its meeting on 12 February 2020, Council formally approves the 'Banded Reduction Scheme' which is available in full on the Council's website and summarised in this report.

3 Key Issues and Reasons for Recommendations

Key Issues

- 3.1 Council Tax Reductions for claimants who have reached pension age are prescribed by the Government and cannot be varied. The rules for those claimants are included in the Council's scheme document and have not changed.
- 3.2 The Council was required to create a local scheme in respect of working aged claimants from 2013. Significant reductions in Government funding of the schemes were introduced at that time.
- 3.3 The features of the new scheme are:
 - To simplify the application process for claimants.
 - To simplify the assessment process for the Council, thereby reducing administration costs.

- To be consistent with the operation of the Universal Credit system.
- To increase the levels of support given to the more vulnerable and disabled claimants.
- To increase the levels of support given to families with dependant children.
- To continue to provide an incentive for claimants to work or for those who do work to increase their earnings, so as to not rely on the benefit system, where possible.

3.4 The anticipated total amount of Council Tax Reduction to be awarded in the year 2020-21 is 6% more than would be the case if our current scheme is retained. This confirms the Council's commitment to providing additional support where it is needed.

Reasons for Recommendations

3.5 The scheme that was adopted in 2013 has worked well, and has remained largely unchanged. However it was always accepted that changes may be needed to it, particularly as Universal Credit rules were clarified and the number of residents claiming it increased.

3.6 The Full Universal Credit system was introduced in the Cannock Chase area, in November 2018 and numbers of residents moving onto that system are increasing.

4 Relationship to Corporate Priorities

4.1 The proposals support the Council's objectives by simplifying and increasing the support offered to low income households and vulnerable residents.

5 Report Detail

5.1 In 2013 Council Tax Benefit, which was a national scheme, was removed for all working aged claimants and replaced by a localised Council Tax Reduction Scheme. All Staffordshire authorities worked jointly to produce a framework scheme, based on the same set of principles but which contains some variances for each authority depending on their demographics and local priorities. The scheme has not been substantially changed since its inception.

5.2 The scheme is means tested and all claimants are required to complete an application form and provide considerable evidence and information within a specific timescale in order for an assessment to be completed, enabling a reduction in the amount of council tax payable. Whilst this process sits well alongside the Housing Benefit scheme, it is onerous for claimants who only wish to claim LCTR from the Council.

5.3 The current scheme is "penny specific". We make an award based on exact income and capital of the claimant. Any change must be reported and will require a re-assessment. This in turn generates a revised Council Tax bill. This is often cumbersome and frustrating for customers, benefit staff and council tax staff, particularly when changes are small. Furthermore, the repeated re-issue

of bills, delays the recovery of unpaid council tax, which obviously contributes to non-payment issues.

- 5.4 UC payments in particular would be problematic if not addressed. For many claimants, UC payments can change on monthly basis. This could mean that an individual might receive twelve council tax bills during the year with payment schedules being re-profiled each time. This makes it very difficult for claimants to manage their money or understand how changes to their income might affect them, often leading to arrears and debt. This will become more of an issue as more residents are required to claim UC.
- 5.5 The Council Tax arrears amongst LCTR recipients are proportionately much higher than arrears amongst those not reliant on benefit. Whereas in 2018-19 we collected 97.4% of our overall Council Tax within the financial year, the collection rate amongst LCTR recipients was 82%. The current scheme needs to be addressed, without losing the fairness and equality contained within the scheme.
- 5.6 Better use of technology can be adopted in order to simplify the process of claiming, assessing and notifying LCTR, to the benefit of both the claimants and the council.
- 5.7 The proposed scheme, will be a 'Banded Discount Scheme' which would remove much of the complexity associated with the current scheme, whilst at the same time maintaining fairness and equality in the way in which awards are distributed amongst Council Tax payers. According to their household and financial circumstances, claimants will be placed into bands and an appropriate percentage reduction made from their bill.
- 5.8 The bands proposed for 2020-21 are shown at **APPENDIX 1** to this report. These values will be reviewed annually and updated in line with prevailing benefit rates.
- 5.9 The Banded Discount Scheme is much easier for people to understand and for the Council to administer. Claimants will easily be able to establish if they will qualify and the amounts involved. The claim will be a short, online process, with support available for residents who find it difficult to claim online.
- 5.10 The new income band system would enable people to increase their working hours or get a better paid job knowing in advance how much support we will give them to pay their council tax. They will also get fewer council tax bills, even if their Universal Credit changes, provided their income remains within a particular band.
- 5.11 The simplified scheme will result in reduced administration and significant reduction in costs to the Council.
- 5.12 Awards of LCTR are relatively low (an average of £15.35 per week in 2019/20) and do not result in a physical payment being made, but rather a reduction applied to our bill. It is therefore expected that some of the current onerous evidence requirements can be reduced, with our officers' time being more targeted to compliance checks using data access and data matching facilities available to us.

5.13 In addition to the simplification of the administrative operation of the scheme, the following changes are made to the detail of the scheme:

- Child benefit will not be included in income meaning that families with children will get more support.
- No non dependant charges will be made in respect of adults, other than the claimant and partner, living in a property.
- All working aged claimants with more than £6,000 in savings will be excluded.
- Claimants will only need to report changes of income which are sufficient to take them into the next income band.
- Better use of technology, with the development of an on-line /self assessment process.
- Self employed claimants will be assessed according to their HMRC self-assessed earnings, subject to a minimum of the National Minimum Wage level.
- A contingency fund will be included in the scheme, as now, to address unforeseen circumstances and exceptional hardship.

5.14 Under the proposed scheme, it is expected that around 61% of claimants will receive the same level of discount as they currently do. A further 34% will receive increased entitlement. The remaining 5% (around 182 claimants) will need to be considered individually. The unique circumstances of some families, for example very large families, may not fit well with the simplistic banding model. Individual assessments of their needs will be undertaken and the appropriate level of support given. This will often involve increased awards, over and above the standard percentage discount.

6 Implications

6.1 Financial

The Council's Local Council Tax Reduction Scheme impacts on the council taxbase for the District and its preceptors. Major preceptors were consulted on the proposed changes and have supported them.

As stated in the report, the proposed scheme is expected to increase the amount of council tax reduction awarded by 6%. The cost of this to Cannock Chase DC is expected to be around £45,000.

6.2 Legal

Section 13A of Local Government Finance Act 1992 requires the Council, as a billing authority, to adopt a Local Council Tax Reduction Scheme and to review it each year. Any changes to a scheme must be approved no later than the date that the Council sets its council tax and are implemented from the start of a financial year.

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

The implementation of the changes will be carefully monitored to ensure that we avoid unintended consequences to claimants and compliance with the scheme and budget.

6.8 Equality & Diversity

A full Equality and Diversity Impact Assessment was carried out, with significant no negative impacts being established.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1: Income Bands from 1 April 2020

Previous Consideration

Consultation on Local Council Tax Reduction Scheme Cabinet 8 August 2019

Background Papers

Full scheme documentation available on website.

Income Bands – April 2020

Families with Children Under 5

Single person with one child under 5		Single person with two or more children (at least 1 under 5)		Couple with one child Under 5		Couple with two or more children (at least 1 under 5)	
Income up to	Discount	Income up to	Discount	Income up to	Discount	Income up to	Discount
£159.00	100%	£226.00	100%	£201.00	100%	£268.00	100%
£189.00	80%	£256.00	80%	£231.00	80%	£298.00	80%
£219.00	60%	£286.00	60%	£261.00	60%	£328.00	60%
£249.00	40%	£316.00	40%	£291.00	40%	£358.00	40%
£279.00	20%	£346.00	20%	£321.00	20%	£388.00	20%

Claimants without Children Under 5

Single person		Single person with one child		Single person with two or more children		Couple		Couple with one child		Couple with two or more children	
Income up to	Disc.	Income up to	Disc.	Income up to	Disc.	Income up to	Disc.	Income up to	Disc.	Income up to	Disc.
£75.00	80%	£159.00	80%	£226.00	80%	£117.00	80%	£201.00	80%	£268.00	80%
£105.00	60%	£189.00	60%	£256.00	60%	£147.00	60%	£231.00	60%	£298.00	60%
£135.00	40%	£219.00	40%	£286.00	40%	£177.00	40%	£261.00	40%	£328.00	40%
£165.00	20%	£249.00	20%	£316.00	20%	£207.00	20%	£291.00	20%	£358.00	20%
Over £165.00	0	Over £249.00	0	Over £316.00	0	Over £207.00	0	Over £291.00	0	Over £358.00	0