

Eden District Council

Executive

8 October 2019

Annual Review of the Council Tax Reduction Scheme

Portfolio:	Resources
Report from:	Director of Corporate Services
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To undertake the annual review of the Council Tax Reduction Scheme (CTRS) and to decide whether the Scheme should be amended for 2020-21, or remain unchanged.

2 Recommendation

It be agreed that:

- 1 A recommendation be made to Council on 9 January 2020, that the Council Tax Reduction Scheme for 2020-21 should remain unchanged from that in 2019-20, except for a minor change to disregard both 'urgent and exceptional' payments made under the formal Windrush Compensation Scheme, the 'We Love Manchester Emergency Fund' and 'London Emergency Trust'.
- 2 The Police and Crime Commissioner and the County Council be asked for their views on the Scheme.
- 3 The next Annual Review of the Council Tax Reduction Scheme be reported to the Executive in the summer of 2020.

3 Report Details

- 3.1 Eden District Council is a Billing Authority for Council Tax. Under the Council Tax Reduction Scheme (CTRS), qualifying claimants have their Council Tax liability reduced by a reduction in their Council Tax liability. This results in a loss of Council Tax income to the Council.
- 3.2 When CTRS came in during 2013-14, the Council opted for the then Department for Communities and Local Government (DCLG) 'default' scheme. The Council could have reduced the cost by reducing the level of Council Tax Reduction for certain claimant groups. It chose not to do so because:
- As the regulations required that pensioners had to be protected, a net saving of 10% would have required a 20% saving on non-pensioner claimants;
 - There was concern about the impact of any lessening in Council Tax Reduction, given the other welfare reforms, especially in relation to low income working households;
 - There was concern that increasing the Council Tax liability on those with a low income would adversely impact on the Council Tax collection rate; and
 - The financial cost could be more than mitigated by using the new Council Tax flexibilities, for example, removing the 10% reduction on second homes.

- 3.3 There is a requirement under the amended Local Government Finance Act 1992 that:
For each financial year, each billing authority must consider whether to revise its Scheme, or to replace it with another Scheme.
The Authority must make any revision to its Scheme, or any replacement Scheme, no later than 11 March in the financial year preceding that for which the revision or replacement Scheme is to have effect.
- The final decision on whether a Scheme is changed must be a decision of Council.
- 3.4 Many local authorities have decided to move away from the default scheme by changing some elements within the Scheme and some are moving to a simpler scheme using income bands to determine the level of support. Whilst there are potential savings from changing the scheme, any changes would need to be modelled to understand the impact on claimants and ensure vulnerable groups are protected.
- 3.5 While Councils still have Housing Benefit to administer and CTRS for pensioners remains prescribed, it is more efficient to have a working age CTRS that operates in the same way. The roll-out of Full Service for Universal Credit (UC) has started to reduce the number of Housing Benefit claims the Council handles and increase the activity in relation to CTR claims from UC claimants. However, managed migration of existing Housing Benefit claims has not yet commenced. All six Cumbrian districts currently have schemes based on the default scheme and it is likely that all will consider a change to their scheme in future years. Whilst there is no requirement to have the same scheme across Cumbria, a joint approach means less confusion for residents moving within the County and allows the initial cost of designing the scheme to be shared. The Cumbria Revenues and Benefits group are currently looking at the various schemes. A significant change would require modelling of the impact of the changes and a full consultation exercise, meaning the earliest possible date for any significant change to the scheme is 1 April 2021.

Cost of Existing Scheme

- 3.6 For 2019-20, the total estimated reduction in Council Tax income (including the County, District, Police and Parish precepts) based on information as at 31 July 2019) through the CTRS is £2.7m (around £1.5m relates to working age claimants): £285k relates to this Council (around £150k of which relates to working age claimants).

Total claimants were as follows:

	Claimant Numbers
Pension Age	1,189
Working Age	1,367
Total	<u>2,556</u>

- 3.7 The number of pension age claims is reducing as the equalisation of pension age progresses. Additionally new rules mean that claims from mixed age couples are not treated as pension age claims until both partners reach the pension age.

- 3.8 In theory, a Council could set a Scheme to save all the Council Tax Reduction awarded to working age claimants. As noted above, this is about £1.5m in Eden - this Council's share would be about £150k. In practice, no local authority has taken this approach because:
- A substantial proportion of the extra income would not be collected due to the financial circumstances of the claimants;
 - A Scheme designed, in effect, not to give any reduction would be challengeable; and
 - It would, undoubtedly, cause significant hardship.

Options for Change

- 3.9 There are many ways in which the current local CTRS could be changed. Based on what other Councils have done, some of the principal changes are:
- All working age claimants make a minimum payment of 20%: the maximum Local Council Tax Reduction would be 80%;
 - Restrict maximum reduction to that of a Band D property;
 - Remove income disregards for certain types of income; and
 - Introduce a banded reduction Scheme where reductions are awarded based on bands of income.
- 3.10 When the Scheme was reviewed by the Executive in 2016-17, a detailed review of available options had been undertaken (report F73/16). A similar review has not been undertaken in 2019-20. This is because it was a significant piece of work and the conclusions are unlikely to have changed significantly since this work was undertaken. However, in preparation for possible changes from April 2021 a full review of the options will be carried out in the coming year.

Proposal

- 3.11 The cost of the existing CTRS through reductions to the net tax base is included in the Medium Term Financial Plan.
- 3.12 The Government has announced that it intends to amend the prescribed scheme for pensioners to disregard both 'urgent and exceptional' payments made under the formal Windrush Compensation Scheme, the 'We Love Manchester Emergency Fund' and 'London Emergency Trust'. It is encouraging Councils to make the same provision in their working age schemes. The change would have little or no impact on the cost of the scheme and it is therefore proposed to amend the scheme to disregard these payments.
- 3.13 Corporately the Council needs to reduce its operating costs. As noted above, other authorities nationally have moved away from the default scheme to less costly schemes. CTRS should, similar to all service areas, be subject to review. There are risks around realising cost reductions from scheme amendments, including collection of the additional Council Tax.
- 3.14 If local authorities move away from the default scheme they are expected to have an additional fund for providing additional financial assistance in cases of hardship and this fund should be properly managed with working guidelines and an appeals process built into it. The Council would need to meet the full costs of any additional staffing resources, the cost of hardship scheme awards and the costs of publicising changes and providing what could amount to a debt counselling service.

- 3.15 Making major changes to the local CTRS would mean officers would be required to administer three different schemes; a Housing Benefit Scheme, a CTRS that is prescribed for those of pensionable age and a different CTRS for working age claimants. This increased complexity could increase the risk of error and might require additional staff resources.
- 3.16 The impact of changes to CTRS on low income households cannot be measured by simply looking at the CTRS element alone. Wider welfare reform changes and other external factors need to be considered. This type of wide ranging assessment will require specialist help.
- 3.17 The financial costs of any changes to the Scheme will fall solely on working age claimants, as those of pension age are protected. A substantial proportion of Eden's working age claimants are in work. The current scheme clearly supports a number of families on low wages.
- 3.18 The Council shares its Revenues and Benefits software with South Lakeland District Council and both Councils have tried to harmonise practices and procedures as far as practicable.
- 3.19 Taking all the factors outlined above, it is proposed that the Council be recommended to agree that the CTRS remains unchanged for 2020-21, except for the inclusion of the disregards outlined in 3.12 above. The next Annual Review will be reported to Members in the summer of 2020.

Consultation on CTRS for 2020-21

- 3.20 It is proposed to consult The Police and Crime Commissioner and the County Council. Both of these organisations are affected directly by the Council's CTRS, as both are bodies funded by Council Tax. Any comments will be available for Council on 9 January 2020 when the Council makes its final decision.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council
- 4.2 This report meets the Quality Council corporate priority.

5 Consultation

- 5.1 There has been consultation with the Resources Portfolio Holder.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities..
- 6.1.2 The cost of the existing CTRS is built into the Council's MTFP.

6.2 Legal

- 6.2.1 There are no Legal Implications

6.3 Human Resources

- 6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	<p>The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.</p> <p>An Equality and Diversity Assessment was undertaken for the current Scheme, but if any changes are recommended, that Assessment will be reviewed.</p> <p>If changes are made to the Scheme it will be necessary to assess changes to evaluate the impact on people who are vulnerable. The DCLG has defined vulnerable households as those with a carer, children aged less than five years, or those with a disability. Protections would need to be introduced and a Scheme with multiple protected groups also results in a Scheme that is more complex to administer and for customers to understand.</p> <p>The then DCLG issued a report in February 2014 reminding local authorities of their key duties when deciding on Local Council Tax Reduction Schemes:</p> <ul style="list-style-type: none"> • Public Sector Equality Duty (The Equality Act 2010) • Duty to mitigate the effects of child poverty (The Child Poverty Act 2010) • The Armed Forces Covenant <p>Duty to Prevent Homelessness (The Housing Act 1996)</p>
Health, Social Environmental and Economic Impact	No implications
Crime and Disorder	No implications
Children and Safeguarding	No implications

6.5 Risk Management

Risk	Consequence	Controls Required
There are no major risks with the proposed approach of continuing with a CTRS based on the Default Scheme	Not Applicable	Not Applicable

7 Other Options Considered

7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

8.1 The proposal to continue the current CTRS ensures that residents on low incomes continue to be supported to meet their Council Tax liabilities. As part of a wider corporate exercise on reducing operating costs, work should commence on reviewing options for April 2021.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	20 September 2019
Monitoring Officer (or Deputy)	13 September 2019
Relevant Director	13 September 2019

Background Papers: None

Appendices: None

Contact Officer: Matthew Neal, Director of Corporate Services, 01768 212237