

**Meeting:** Cabinet

**Date:** 6 August 2019

**Wards Affected:** All

**Report Title:** Proposed Council Tax Support Scheme 2020/2021

**Is the decision a key decision?** Yes

**When does the decision need to be implemented?** Approval for finalised new scheme to be proposed at Full Council meeting in December 2019

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## 1. Proposal and Introduction

1.1 Schedule 1A of the Local Government Finance Act 2012 requires local authorities to annually review their local scheme for Council Tax Support (for working age customers).

*NB: Pension Age households are not affected. The DWP retain control of the regulations applied for local authorities to pay Council Tax Support to pension age customers. As pension age claims are protected by legislation, these proposed changes will only affect claims from those of working age:*

1.2 Proposal to approve a formal public consultation for the introduction of a revised Council Tax Support scheme for working age residents to commence from April 2020.

1.3 The consultation will be held over 6 weeks involving residents, representative groups and other stakeholders. This must commence by mid-August at the latest in order to meet the timeline for review of consultation feedback and scheme approval to be signed off by elected members at full council in December 2019 to be implemented from 1 April 2020.

1.4 A revised scheme would align Torbay with the approach being taken by all other local authorities throughout Devon from 1 April 2020.

1.5 Council Tax Support is a means tested discount administered by local authorities. It provides a discount to assist people who are unemployed, on a low income or unable to work, to help them to pay their Council Tax charge.

1.6 The current Council Tax Support scheme is based on an outdated benefit approach which alters entitlement on a weekly basis. A new scheme framework will be designed to reflect a more modern approach that supports current changing trends and the needs of our customers.

1.7 The introduction of Universal Credit by the Department for Work & Pensions from 5th September 2018 in Torbay has had a significant impact on the current Council Tax Support scheme for working age households. A revision to the scheme will greatly assist to absorb the current and progressive impact of Universal Credit.

*NB: Pension Age households are not affected by Universal Credit.*

1.8 Universal Credit is highly reactive and the amount received each month by residents can continually fluctuate. Under the current working age Council Tax Support scheme, each financial change in a household income will affect the amount of Council Tax Support they are entitled to.

1.9 Each recalculation of Council Tax Support awarded adjusts the amount of Council Tax due for payment by the customer. Each change necessitates a revised Council Tax bill to be issued, revising the amounts and dates for forthcoming payment instalments due.

1.10 Through the above scenario, working age households are now receiving multiple, recalculated Council Tax bills throughout the year, detailing continually revised instalment plans. This can make it very difficult for low income households to budget or understand what how much is due for payment. This increases the risk of them falling into arrears and increasing levels of household debt.

1.11 Local authorities are dependent on receiving payment of Council Tax to finance the provision of local services. Nationally, rates of Council Tax collections have suffered in areas where Universal Credit full service has been introduced.

1.12 Multiple changes also have a significant negative impact on the administration of Council Tax Support and Council Tax billing, as each change needs to be administered by Council officers for a new bill to be produced.

1.13 There are additional costs of printing and postage for the revised Council Tax bills to be sent to households. This is approximately £1 per bill issued.

## **2. Reason for Proposal and associated financial commitments**

2.1 The Council has a statutory duty to provide a local Council Tax Support Scheme for working-age households within its area.

2.2 The Council must approve the final scheme by December 2019 for implementation from 1st April 2020. The scheme cannot be changed mid-financial year.

2.3 A 6 week consultation with residents, representative groups and other stakeholders must take place prior to any revisions to the scheme being approved by full council.

- 2.4 Throughout the United Kingdom, local authorities are recognising the need to adapt their localised Council Tax Support scheme to meet the changing needs of their working age residents to help them pay their Council Tax charge.
- 2.5 South Hams and West Devon Council have already revised their scheme from 1 April 2019, with all other district and Unitary Authorities in Devon also scheduled to change from 1 April 2020.
- 2.6 What should a revised Council Tax support scheme achieve?
- A system is required that makes it easier for low income households to be able to successfully budget for instalment payments of Council Tax.
  - A Council Tax Support scheme which is better catered to absorb the ongoing fluctuations in monthly income received from Universal Credit.
  - A new format providing greater stability in the amount of Council Tax Support awarded. This will reduce the need to produce revised multiple Council Tax bills, as the award of Council Tax Support will not need to be recalculated to reflect income fluctuations.
  - A new scheme which will provide a consistent amount that the household is expected to pay for Council Tax, which is not subject to constant change. This will allow lower income households to budget with greater confidence, and avoid falling behind with payments due, which can result in recovery action for nonpayment and costs being added to the charge.
  - A scheme which aligns Torbay with all other Devon local authorities and the direction of many Councils throughout the United Kingdom.
- 2.7 Revising the format of the current Council Tax Support scheme to include a **household income banded system** from April 2020 will achieve all of the above solutions.
- 2.8 Please refer to appendix 4 for an explanation of how a household income banded system works.
- 2.9 Nationwide, the banding schemes have become more common as impacts of Universal Credit continue, with nearly 100 Councils adopting this approach from April 2019, and more to follow from April 2020.
- 2.10 2020 will see the biggest change, when a 'managed migration' programme will be implemented by the DWP, to convert all working age customers onto Universal Credit.
- 2.11 This programme will have a major impact on the working age residents of Torbay. It is essential that as a Council we have a new Council Tax Support scheme that fully supports these households as they adapt to the changes of receiving Universal Credit and enable them to successfully financially budget to remain up to date with payments due for their Council Tax.
- 2.12 The proposals contained in this report will commit the Council financially in respect of:

Funding for Council Tax Support is financed by local authorities. Expenditure to support this for the financial year 2018/2019 was £11,286,657.37. The implementation of a revised Council Tax Support scheme would be cost neutral, not requiring any additional financial commitment from the Council to support this change.

The precepting authorities (Fire and Police) are to be made aware that they will share the financial pressures and risk of any scheme changes.

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### **3. Recommendation(s) / Proposed Decision**

- 3.1 That a formal 6 week public consultation involving residents, representative groups and other stakeholders be commenced from mid-August, for the proposed introduction of a revised Council Tax Support scheme for working age residents which incorporates a household income banded system to commence from April 2020.

### **Appendices**

Appendix 1: A brief explanation of Council Tax Support with case breakdown and of Torbay population and expenditure.

Appendix 2 Council Tax Support –Torbay working age household analysis for 2018/2019

Appendix 3: The impact of Universal Credit on households in Torbay

Appendix 4: Explanation of a household income banded scheme for Council Tax Support

Appendix 5: A selection of case study examples to show impacts of applying a household income banded scheme to households currently receiving Council Tax Support. *These are for initial illustrative purposes. Finalised income bands will be calculated within the forthcoming modelling process.*

Appendix 6: Draft timescales and deliverables

Appendix 7: Options analysis for Council Tax Reduction

### **Background Documents**

Torbay Council – Council Tax Reduction Scheme 2019/2020

<https://www.torbay.gov.uk/media/12396/council-tax-reduction-scheme-2019-20.pdf>

## Section 1: Background Information

1.

### What is the proposal / issue?

1.1 Proposal to approve a 6 week formal public consultation for the proposed introduction of a revised Council Tax Support scheme for working age residents to commence from April 2020.

1.2 The current Council Tax Support scheme is based on an outdated benefit approach which alters entitlement on a weekly basis.

1.3 The new proposed scheme is more robust to absorb smaller fluctuations in income received by the household and reduce the need to recalculate Council Tax Support and issue revised Council Tax bills.

1.4 A new scheme which will provide a more consistent amount that the household is expected to pay for Council Tax, which is not subject to constant change. This will allow lower income households to financially budget with greater confidence, and avoid falling behind with Council Tax payments due, which can result in recovery action and potential costs being added to the charge

1.5 Improved ability for customers to pay their Council Tax bill will assist collection rates of Council Tax to raise finance to pay for local services.

1.6 Saving in print and postage costs will also be achieved as the new scheme will reduce the number of multiple revised bills issued throughout the year.

2.

### What is the current situation?

2.1 The current Council Tax Support scheme for working age households does not support the parameters to absorb ongoing fluctuations in monthly income received. This is particularly relevant to Universal Credit where award payments can vary each month. As a consequence, on average, 6 revised Council Tax bills are being issued per year to Universal Credit households.

2.2 Each recalculation of Council Tax Support awarded adjusts the amount of Council Tax due for payment by the customer. Each change necessitates a revised Council Tax bill to be issued, revising the amounts and dates for forthcoming payment instalments due. This scenario is making it very difficult for low income households to budget and remain up to date with Council Tax payments due.

2.3 Throughout the United Kingdom, this trend is being recognised nationally, as more localised Council Tax Support schemes for working age households are being adapted to meet the changing needs of residents, and support them to be able to pay their Council Tax charge.

	<p>2.4 Nationally, rates of Council Tax collections have suffered in areas where Universal Credit full service has been introduced and Council Tax Support schemes have not been revised to support the impacts of Universal Credit.</p>
<p><b>3.</b></p>	<p><b>What options have been considered?</b></p> <p>3.1 Please review Appendix 7 – Options for Council Tax Reduction</p> <p>3.2 Over the past 3 years, it has been nationally accepted that a household income banding system is the correct option for Council Tax Support schemes to incorporate in order to absorb the impacts of Universal Credit.</p> <p>3.3 Local authorities who have already implemented this change have reported that it is successful in achieving the outcomes anticipated. The change has also been accepted by residents as it can present them with a greater flexibility in increasing their household income without the consequence of reducing their award entitlement to Council Tax Support and triggering a revised bill to be issued.</p>
<p><b>4.</b></p>	<p><b>What is the relationship with the priorities within the Partnership Memorandum and the Council’s Principles?</b></p> <p>Priorities:</p> <ul style="list-style-type: none"> <li>• Thriving People and Communities</li> <li>• A Thriving Economy</li> <li>• A Council Fit for the Future</li> </ul> <p>Principles:</p> <ul style="list-style-type: none"> <li>• Use reducing resources to best effect</li> <li>• Reduce demand through prevention and innovation</li> <li>• Integrated and joined up approach</li> </ul> <p>4.1 The proposed scheme will continue to support work incentives and avoids disincentives for those moving into work.</p> <p>4.2 The continuation of the hardship scheme will be proactively applied to identify any households who experience adverse impacts of the changes.</p>
<p><b>5.</b></p>	<p><b>How does this proposal/issue contribute towards the Council’s responsibilities as corporate parents?</b></p> <p>5.1 The scheme issues financial support for low income households to provide a reduction in their Council tax charge based on the level of household income and occupancy composition.</p>

	<p>5.2 It will assist those who only had the support of the council in reducing barriers of living in the community, where there is a risk of falling into debt, particularly with their Council Tax.</p>
6.	<p><b>How does this proposal/issue tackle poverty, deprivation and vulnerability?</b></p> <p>6.1 Council Tax Support provides proportioned financial assistance to low income households.</p> <p>6.2 The exceptional hardship fund also provides additional financial assistance for households that are most in need.</p>
7.	<p><b>How does the proposal/issue impact on people with learning disabilities?</b></p> <p>7.1 The scheme is being amended in line with statutory requirements and will be modelled on the household incomes of the current caseload of customers in receipt of Council Tax Support.</p> <p>7.2 Within this process, full equality assessments will be undertaken to ensure that vulnerable households are protected.</p> <p>7.3 The new scheme proposes to disregard incomes received for disabilities so that these customers are not disadvantaged through the changes. The exceptional hardship fund also provides additional financial assistance for households that are most in need.</p>
8.	<p><b>Who will be affected by this proposal and who do you need to consult with? How will the Council engage with the community? How can the Council empower the community?</b></p> <p>8.1 Before implementing any changes to the current scheme we must consult with the public and stakeholders. The accepted consultation period is 6 weeks. This timescale will enable responses to be collated and analysed in detail with a view to formalising a final scheme for recommendation.</p> <p>This will include an online survey for residents to complete as well as a postal survey and mailshot to All Working Age Council Tax Support claimants who are not receiving 70% maximum award, (1,267) and an equal number (random selection) of Council Tax payers not receiving Council Tax Support</p> <p>8.2 We must publish our draft scheme when we start consultation with interested parties, which we will do through the Council's website. We will need to promote consultation through the press, social media as well as face to face workshops and events for the public, various welfare support agencies and advisory groups.</p>

<p>8.3 We will also require feedback from the major preceptors (Fire and Police), Brixham parish council, various welfare support agencies and advisory groups.</p>
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<p>8.4 The results of the consultation and evaluation will be reported to the Scrutiny Committee in November 2019. Approval will then be sought from Full Council in December 2019, for preparation for the Council Tax annual billing process in early March 2020 for the financial year commencing 1 April 2020.</p>
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## Section 2: Implications and Impact Assessment

9.

### What are the financial and legal implications?

#### 9.1 Financial Implications

Funding for Council Tax Support is financed by local authorities. Expenditure to support this for the financial year 2018/2019 was £11,286,657.37. The implementation of a revised Council Tax Support scheme would be a cost neutral, not requiring any additional financial commitment from the Council to support the cost of a revised scheme format.

#### 9.2 Legal Implications

Section 33 of the Welfare Reform Act 2012 abolished Council Tax Benefit and any replacement scheme is excluded from the scope of the Universal Credit system set up by Section 1 of that Act. The Local Government Finance Act 2012 ("the 2012 Act") amends the Local Government Finance Act 1992 ("the 1992 Act") to make provision for the localisation of Council Tax Support.

The 2012 Act amends the 1992 Act by adding a new section 13A to state that Council Tax will be reduced to the extent set out in an authority's Council Tax Support scheme and to such further extent as the authority sees fit (new s13A(1)(c) replicating the existing provision for authorities to adopt specified additional classes).

Local authorities must make a Council Tax Support scheme setting out the reductions which are to apply in its area by persons or persons in classes consisting of persons whom the authority considers to be in financial need.

Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the Council Tax Support scheme is to be revised or replaced. Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of that schedule apply. Any revision/replacement must be determined by early March in the preceding year to the year which the changes are to apply.

The council must therefore consider whether the scheme requires revision or replacement and if so, consult with precepting authorities (Devon and Cornwall Police and Devon and Somerset Fire and Rescue Authority), publish a draft scheme and then consult with such persons as are likely to have an interest in the operation of that scheme prior to determining the scheme before March. If any proposed revision is to reduce or remove a reduction to which a class of person is entitled, the revision must include such transitional provision as the Council sees fit.

Case law has confirmed that consultation must

- be undertaken when proposals are at a formative stage;

	<ul style="list-style-type: none"> <li>• include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;</li> <li>• give consultees sufficient time to make a response; and</li> <li>• be conscientiously taken into account when the ultimate decision is taken.</li> </ul>
<p><b>10.</b></p>	<p><b>What are the risks?</b></p> <p>10.1 If a revised scheme is not introduced, working age households will continue to receive multiple, revised Council Tax bills throughout the year, making it very difficult for customers to be able to budget ahead with confidence and ensure they can remain up to date with payments due. If they fall behind with payments, additional costs will be added to these vulnerable households increasing levels of debt</p> <p>10.2 Non-payment of Council Tax will reduce Council collection rates to finance the provision of local services, adding financial pressure to make service cuts as a consequence.</p> <p>10.3 2020 will see the biggest change, when a ‘managed migration’ programme will be implemented by the DWP, to convert all working age customers onto Universal Credit. This programme will have a major impact on the working age residents of Torbay. It is essential that as a Council we have a new Council Tax Support scheme that fully supports these households to be able to budget and remain up to date with payments of their Council Tax.</p>
<p><b>11.</b></p>	<p><b>Public Services Value (Social Value) Act 2012</b></p> <p>11.1 The procurement of services or provision of services is not relevant for this report.</p>
<p><b>12.</b></p>	<p><b>What evidence / data / research have you gathered in relation to this proposal?</b></p> <p>12.1 A thorough financial modelling exercise will be undertaken to review the income and household compositions of working age households currently in receipt of Council Tax Support to determine the appropriate income bands and percentages of discount to be applied is representative of levels received under the current system.</p> <p>12.2 Modelling as detailed above will ensure that a new scheme support will support the population profile. Initial modelling has already taken place as detailed within appendix 5.</p>

	<p>12.3 As part of the Devon group who meet each month, each Devon local authority will set different levels of income and discount within their respective schemes dependant on their own demographic profile.</p> <p>12.4 The consultancy received within the monthly meetings of the Devon group has given important insight to inform of other local authorities throughout the country that have already revised their Council Tax Support schemes to incorporate a household income banded system.</p>
<p><b>13.</b></p>	<p><b>What are key findings from the consultation you have carried out?</b></p> <p>13.1 Not applicable at this stage. 6 week public consultation to commence from August 2019</p>
<p><b>14.</b></p>	<p><b>Amendments to Proposal / Mitigating Actions</b></p> <p>14.1 Not applicable until the end of the 6 week consultation period and feedback received has been collated and analysed.</p>

## Equality Impacts

15.	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people	<p>Pension Credit Age claimants will continue to be protected from any change under a nationally prescribed scheme.</p> <p>A revised scheme will be more robust to absorb fluctuations in household income. This is essential as more working age households in Torbay migrate to receiving Universal Credit.</p> <p>This format simplifies the current technical and complex assessment process for Council Tax Support and is much easier for households to understand.</p> <p>Details of the income banded grid and a list of disregarded incomes would be openly publicised, providing a transparent formula where residents can easily calculate for themselves how much</p>	<p>As the current 83.25% of working age households will continue to receive the maximum award of 70% discount from their claim for Council Tax Support, the number of working age households in receipt of Council Tax Support potentially affected by changing to a banded scheme is 1,267 or 16.75%</p> <p>To mitigate any potential impact experienced by the 16.75% households adversely affected by the proposed changes, we will seek to identify these household and continue to operate the Hardship Scheme which has an annual budget of £80k to support residents showing a need for additional support in their payments.</p>	<p>In Torbay there are currently 7,566 working age households receiving Council Tax Support.</p> <p>83.25% of these households receive the maximum award of 70% discount from their Council Tax bill.</p> <p>All 83.25% of working age households currently receiving the maximum Council Tax award of 70% would continue to receive this maximum award of 70% within the new banded scheme.</p>

	<p>Council Tax Support they will be entitled be based on their household income.</p> <p>The new scheme will reduce the number of changes to the award of Council Tax Support. If the level of household income received remains within the same income band, the award of Council Tax Support remains unchanged and a new Council Tax bill does not have to be issued</p> <p>Fewer Council Tax bills will be less confusing for customers.</p> <p>Households will receive one Council Tax bill, providing them with a consistent instalment payment plan for the year ahead. This allows customers to budget accordingly without fear of their bill being amended with a new recalculated instalment schedule. This stability presents them with an improved opportunity to remain up to date with payment due.</p> <p>Households will have an advance awareness of how</p>		
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	<p>much their award of Council Tax Support would change if their level of income was to change and place them into a new income band. This incentivizes households to undertake additional work to increase their levels of income, with the awareness that they will remain in the same income band which will not affect the amount of Council Tax Support received</p>		
<p>People with caring Responsibilities</p>			<p>There is no differential impact.</p> <p>Protection for those receiving a carers allowance is in line with the old Council Tax Benefit scheme.</p>
<p>People with a disability</p>			<p>There is no differential impact.</p> <p>Protection for disabled people is in line with the old Council Tax Benefit scheme. Disability benefits, such as Disability Living Allowance, will continue to be fully disregarded as well as the associated personal allowances and premiums that</p>

			are currently awarded to people with disabilities.
Women or men			<p>There is no differential impact.</p> <p>Although this information is recorded, there is no adverse impact on the grounds of gender. Torbay's scheme is open to applications from persons of any gender and there are no aspects of the scheme which impact in any way on the availability of support to claimants based solely on gender.</p>
<p>People who are black or from a minority ethnic background (BME)</p> <p><i>(Please note Gypsies / Roma are within this community)</i></p>			<p>There is no differential impact</p> <p>There is no data to suggest that this group is affected, as we do not ask people's ethnicity as part of the application process.</p>
<p>Religion or belief (including lack of belief)</p>			<p>There is no differential impact.</p> <p>This information is not collected as part of the administration of the Council Tax Support Scheme however there is no record of having received any comments or complaints or challenges regarding this</p>

			<p>particular group in respect of the design and operation and administration of the Torbay Council Tax Support Scheme.</p> <p>There is no data to suggest that this group is affected, as we do not ask people's religion as part of the application process.</p>
<p>People who are lesbian, gay or bisexual</p>			<p>There is no differential impact.</p> <p>This information is not collected as part of the administration of the Council Tax Support Scheme however there is no record of having received any comments or complaints or challenges regarding this particular group in respect of the design and operation and administration of the Torbay Council Tax Support Scheme</p> <p>There is no data to suggest that this group is affected.</p>
<p>People who are transgendered</p>			<p>There is no differential impact.</p> <p>This information is not collected as part of the administration of the Council Tax Support Scheme however there is no</p>



			<p>record of having received any comments or complaints or challenges regarding this particular group in respect of the design and operation and administration of the Torbay Council Tax Support Scheme.</p> <p>There is no data to suggest that this group is affected.</p>
<p>People who are in a marriage or civil partnership</p>			<p>There is no differential impact.</p> <p>This information is not collected as part of the administration of the Council Tax Support Scheme however there is no record of having received any comments or complaints or challenges regarding this particular group in respect of the design and operation and administration of the Torbay Council Tax Support Scheme.</p> <p>There is no data to suggest that this group is affected.</p>
<p>Women who are pregnant / on maternity leave</p>			<p>There is no differential impact</p> <p>There is no data to inform an equality analysis by this protected group.</p>

			People who are in advanced stages of pregnancy or receiving maternity allowance are affected for a temporary period because they will have a finite income and will be unable to increase this by working.
	Socio-economic impacts (Including impact on child poverty issues and deprivation)		There is no differential impact
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)		There is no differential impact
16.	<b>Cumulative Impacts – Council wide</b> (proposed changes elsewhere which might worsen the impacts identified above)	Not applicable for this proposal.	
17.	<b>Cumulative Impacts – Other public services</b> (proposed changes elsewhere which might worsen the impacts identified above)	Not applicable for this proposal.	