

CHANGES TO THE EXISTING COUNCIL TAX SUPPORT SCHEME FOR 2020/21 AND THE INTRODUCTION OF A BANDED INCOME APPROACH

REPORT OF: HEAD OF CORPORATE RESOURCES
Contact Officer: Peter Stuart, Head of Corporate Resources
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Council
18th December 2019

Purpose of Report

1. This report sets out proposals for changes to the existing Council Tax Support scheme for Mid Sussex DC including the introduction of a Banded Income approach for working age claimants for 2020/21 following public consultation.

Summary

2. The current Council Tax Support Scheme is in need of change due to the ongoing roll out of the full Service of Universal Credit. The major change proposed is the introduction of a Banded Income approach to the Council Tax Support Scheme to ensure the Council Tax payer does not face so many changes in the year to the bill they pay should their income change each month, as well as make administration simpler.
3. The Scrutiny Committee for Leader, Finance and Performance of the 4th September 2019 looked at a scheme originally. They were happy that the new proposals be consulted upon.
4. An 8 week consultation took place and no major objections of the proposals were raised. After the consultation the meeting of the Scrutiny Committee for Leader, Finance and Performance on the 20th November 2019 agreed that the new proposals including the introduction of a Banded Income approach to the Council Tax Support Scheme go to Council.

Recommendations

5. That Full Council:-

A. Adopts the Banded Income approach to its Council Tax Support Scheme for 2020/21 and other changes for people of working age as set out at Appendix B; and

B. Authorises the Head of Corporate Resources in collaboration with the Customer Services Portfolio Holder to make minor textual amendments and any relevant changes required by amendments to Prescribed Regulations introduced by the Ministry of Housing, Communities and Local Government (MHCLG) for 2020/21.

Background

6. Council Tax Support is to help people on low incomes pay their Council Tax. For 2013/14, the Council approved a Council Tax Support scheme for working age applicants. The scheme for older people is set in legislation and the Council has no discretion to alter or modify the pensioner Council Tax Support scheme arrangements. The scheme remained unchanged for 2013/14, apart from updated premiums and living allowances in line with Government announcements.
7. Changes were made to the Council Tax Support Scheme for 2014/15. These were:-
 - a. All working age applicants for Local Council Tax support to be required to pay at least 39% towards their Council Tax liability, unless in a designated vulnerable group;

- b. The current protected vulnerable groups can receive maximum Council Tax Support (CTS) of 100% (if their income supports this) as they are not expected to look for work. These groups include anyone with an award of:-
 - i - a disability premium within Council Tax Support or Working Tax Credit
 - ii - the support group of Employment and Support Allowance
 - iii - Disability Living Allowance or Personal Independence Payment
 - iv - Both Income Support and Carers allowance
 - v. - A War Disablement Pension, Armed Forces Pension or Armed Forces Independence payments
 - vi - Or any lone parent with a child under 5 years old
 - c. Introduced a 15% income taper to incentivise work
 - d. Increase the extended payment period so that those returning to work from legacy benefits would continue to receive full support for 13 weeks rather than the standard 4 weeks.
8. The current Council Tax Support scheme is in need of change as if a person's income changes each month, as Universal Credit can, under the existing scheme this means a taxpayers support has to automatically change as well as the amount they pay in Council Tax. The introduction of a banded income approach to the Council Tax Support Scheme will stop this happening in the majority of cases, making the scheme more transparent to both Council Taxpayers and the Council. A number of other changes are proposed to ease the transparency of the scheme.

Changes for 2020/21

- 9. The current Council Tax Support scheme was originally, and largely remains based on the previous Council Tax Benefit (CTB) scheme. This is increasingly out of step with national trends. To date the scheme has operated satisfactorily and with minimal impact on preceptors and collection authorities.
- 10. In light of ongoing financial pressures, the introduction of Universal Credit and the need to strike an appropriate balance between protecting those on low incomes and being able to maintain essential services, officers agreed that changes to the scheme for 2020/21 including the introduction of a banded income approach should be considered. Officers considered and drew up possible options that would:-
 - a) Continue to incentivise work;
 - b) Maintain the overall cost;
 - c) Simplify the administration of the scheme by billing authorities,
 - d) Make it easier for Council Tax payers to understand.

National Trends

- 11. As of April 2019 there are now only 36 local authorities who have made no change compared to the previous Council Tax Benefit Scheme. 277 out of 326 councils have cut the amount of support available by introducing a minimum payment or a band cap: 264 schemes now include a minimum payment. The size of the minimum payment varies by area: in 45 councils it is less than 10%; in 136 councils it is between 20% to 29%; for 23 councils it is 30% or more. Twenty eight councils currently use Banded Income approach to their Council Tax Support Schemes, with up to 100 more expected to be introduced in 2020/21.

Proposals

12. It used to make sense to broadly align the scheme with Housing Benefit - in the same way as the previous Council Tax Benefit scheme. But as benefits change, and especially because of the introduction of Universal Credit, it is more difficult to keep the scheme aligned, making it difficult for people to understand and adds to the complexity and cost of the scheme for the Council.
13. Since the rollout of Universal Credit Full Service took place in the Mid Sussex area in June 2018 people are confused by and unsure of their Council Tax liability due to constant changes in the level of Council Tax Support. This is because every time the award of Universal Credit changes means with the current scheme works we have to recalculate entitlement to Council Tax Support, as even a change of one penny in income can mean a change in the amount of support people get as well as the amount of Council Tax they need to pay. On average 40% of Universal Credit recipients have between eight and twelve changes a year, largely with monthly changes to earnings. Members may wish to note that Universal Credit is also paid to people in work on low earnings. Indeed at Mid Sussex DC 42% of people on Universal Credit are on low earnings against a national average of 35%.
14. If the current scheme continues unchanged at Mid Sussex DC without the introduction of a Banded Income approach to our Council Tax Support scheme we believe based on analysis of other Local Authorities this could result in a fall in overall collection rates of 1% together with additional administration costs equating to 1 to 2 FTE. The need for additional resources could increase over time as more people move on to Universal Credit. The implication in having a monthly change to Council Tax Support is that a new bill will be produced each month. This can lead to direct debits not being taken as 14 days' notice has to be given. Uncollected amounts will not be subject to the usual recovery process if new bills are continually issued with each change to Universal Credit.
15. The National Audit Office (NAO) report 'Rolling Out Universal Credit', published on 15th June 2018 highlighted the impact of full-service Universal Credit on existing Council Tax Reduction schemes. The report noted that the issue could be alleviated if local authorities redesigned their schemes.
16. A simplified banding approach will mean that only significant changes in income will affect the level of discount awarded. Entitlement will still be based on income but in a broader approach than the current rigid means tested model. This would make the scheme simpler, easier for people to understand, and reduce the effect of changes in someone's income on their Council Tax liability. Council Tax payers who receive Council Tax Support should receive fewer Council Tax demands and adjustments to their instalments. Officers feel that the changes will ensure the scheme remains viable whilst offering protection to the most vulnerable.
17. Following the Scrutiny Committee Meeting for Leader, Finance and Performance on the 4th September 2019, the following options were agreed to be put to public consultation:
 - a. To continue to base the scheme on the default Council Tax Support Scheme set by the Government,
 - b. To use a banded income approach to its Council Tax Support Scheme where the percentage of Council Tax that householders are liable to pay is based on the income band each household falls into (this is based on the customers' needs and finances),
 - c. Unless in a protected vulnerable group, all people of working age will need to pay at least 40% towards their Council Tax,
 - d. The protected vulnerable groups will remain for the new proposed scheme as in the existing scheme, as outlined in paragraph 10 above,
 - e. A flat rate of deduction for all non-dependants of £4 per week (Non-dependants are often people like grown-up sons and daughters or elderly relatives. A non-dependant is a person who lives with you but is not liable for paying rent under a formal arrangement). This excludes:-
 - i. non-dependants in households where the claimant and/or partner are in receipt of the care component of disability living allowance or the daily living component or personal independence payments or attendance allowance, and

- II. Non-dependents in households where they are on passported benefits (in receipt of Income Support, Job Seekers Allowance (income based), Employment and Support Allowance (income related) or Guaranteed Pension Credit) or they are in receipt of Universal Credit **and** are not working,
 - f. The removal of second adult rebate for people of working age, see below
 - g. The introduction of a minimum income floor for self-employed claimants, see below
 - h. Increase in backdating to 12 months providing good cause is demonstrated,
 - i. Alignment with Housing Benefit regulations for late notified changes,
 - j. Alignment with Housing Benefit regulations for changes that occur in year, and
 - k. No claim form is required for CTS where UC is claimed.
18. Information about the effects of these options was set out in the consultation documents. Further details are set out at Appendix B.

Consultation

19. Before making a new scheme, or changes to the scheme, the Council must, in the following order:
- a) Consult major preceptors (County and Police); then
 - b) Consult such other persons as it considers are likely to have an interest in the operation of the Scheme.
20. DCLG (now MHCLG) gave further advice in its Statement of Intent prior to the original schemes being introduced:
- a) When consulting on support schemes billing authorities should ensure all interested parties are able to give their view and influence the design of the support scheme. (This includes voluntary organisations and special interest groups.);
 - b) The consultation feedback should help identify where there may be any adverse impacts to any particular group. Billing authorities must also understand whether there are any groups or individuals that are adversely impacted by any changes when making their final decisions on a local scheme;
 - c) The public consultation should be carried out as early as possible to ensure feedback can influence the scheme and allow sufficient time for the feedback to be gathered, impacts to be understood, and a scheme to be shaped.
21. The consultation about the proposed changes to the Mid Sussex Council Tax Support Scheme met these tests. The consultation was over an 8-week period starting 6th September 2019 and ending 1st November 2019. Collation of the results took place between 1st November 2019 and 8th November 2019. A summary of the results, including all comments made by those responding is included as appendix A to this report and is information Members must consider when deciding upon the 2020/21 scheme.
22. Stakeholders were identified at the outset and were made aware of the consultation during the 8 week period. We held a Universal Credit Stakeholder Group Meeting in September 2019 with a specific presentation on the proposals. Special interest groups and other organisations who were invited to take part were the precepting Authorities, Clarion RSL, Stepchange, the local Job Centre Plus and foodbanks. We also met separately with the Citizens Advice West Sussex. We issued a press release as well as advertising the consultation in our website, within our email signatures and on every Benefit/Council Tax Support notification sent to customers during this period. The Benefits Service also wrote directly the Council Tax Support recipients who could receive the biggest negative change in awards.
23. The total number of residents that responded to the consultation was very low. There were only 6 responses, 5 of those who are currently in receipt of Council Tax Support. Although there were very few responses this is in line with the responses that other authorities have received with similar consultations. Two other responses were received, one from the Sussex Police and Crime Commissioner and the other from Citizens Advice West Sussex.
24. Full results of the consultation and the comments of respondents are set out at Appendix A.

Amendments to Scheme, including the Introduction of a Banded Income Approach

25. The most significant change proposed to the current scheme is the introduction of a Banded Income approach to our Council Tax Support Scheme. There are a number of other changes proposed too.
26. Schedule 1A (5)(4) of the Local Government Finance Act 1992 states that 'If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit'.
27. Every year the Government introduce prescribed rules and regulations for Council Tax Support for both people of working age and older people. We are obliged to bring these in but the report gives delegated authority to the Head of Corporate Resources to introduce these for 2021/22 in consultation with the Cabinet Member for Customer Services.

Conclusion

28. The Council is recommending changes to the existing Council Tax Support scheme for 2020/21 for working age people, including the introduction of a banded income approach. These will ensure the scheme continues to protect those on low incomes whilst balancing the need to be fair to all local taxpayers and control costs. Appendix C shows individual calculations of the proposed scheme.

Further Steps

29. Should the scheme be approved, the Revenues and Benefit Service will again continue to work with taxpayers who appear to be potentially worse off under the new proposed scheme. We are also committed to signposting people to Third Sector Advice Agencies such as West Sussex Citizens Advice and Stepchange.
30. This assistance will include continuing to see if they are entitled to any additional discounts, exemption, benefits and other financial help or by using our Employment Project Co-ordinator to help them in finding employment or increasing their earnings. The Revenues and Benefits Service has already had success in identifying additional other help in some cases where without this the person could receive a smaller award with the proposed new Council Tax Support scheme.
31. The service will continue to communicate with existing customers in receipt of Council Tax Support that are currently self-employed to advise them of the changes to the scheme they will face with the introduction of the minimum income floor from April 2021.

Policy Context

32. The Banded Income Council Tax Support scheme for 2020/21 will need to be amended and approved by full Council by the 11th March 2020, although there is a need to do it before this to ensure the timely and accurate Council Tax Billing for 2020/21. Our timetable complies with this.

Financial Implications

33. It is anticipated that the cost of the scheme will be 0.82% higher than the current scheme. Members should note that the Council Tax base report on the same agenda takes this small variation into account. A breakdown of the figures is available in Appendix B. The revised figures have been calculated using the same scheme as the previous report but with current data on claimants and their income. Please note that these figures will continue to change up to, and after, April 2020.

34. There will be other costs if members are minded to approve the Banded Income approach to our Council Tax Support scheme for 2020/21 such as new software to administer it. Without this the scheme would be very labour intensive.
35. There will also be a need should members approve any new scheme to write a comprehensive Banded Income Council Tax Support Scheme for Mid Sussex DC and publish it by the 11th March 2020. External help may be brought in to assist with this.

Equality and Customer Service Implications

36. An Equalities Impact Assessment has been prepared and is attached as Appendix D.

Other Material Implications

37. The Local Government Finance Act 1992 as amended by the Council Tax Reduction Schemes (Amendment) (England) Regulations 2017 requires Council to approve a scheme for 2020/21 by 11th March 2020. The Act contains a statutory duty to consult on a proposed scheme, with guiding principles for fair consultation set out in case law. These Regulations do not impose a requirement on authorities in relation to what specific information and evidence they should obtain or indeed implement from such a consultation.

Appendices

- A. Proposed Council Tax Support changes for 2020/21 including introduction of Banded Income Approach Consultation Feedback.
- B. Proposed Council Tax Support Scheme (CTSS) for 2020/21 including introduction of Banded Income Approach.
- C. Individual Calculations of proposed scheme
- D. Equality Impact Assessment