

BABERGH DISTRICT COUNCIL

From: Cabinet Member - Finance	Report Number: BC/17/15
To: Council	Date of meeting: 24 October 2017

REVISING AND UPDATING THE COUNCIL TAX REDUCTION (CTR) SCHEME FOR WORKING AGE HOUSEHOLDS

1. Purpose of Report

To outline proposed changes to the Council Tax Reduction Scheme and to seek approval from Councillors to consult on the proposed amendments before Council looks to adopt a revised scheme in December 2017, to come into effect from 1st April 2018.

2. Recommendations

2.1 That public consultation is undertaken on the following proposed changes to the CTR scheme:

- Align the BDC Working Age Council Tax Reduction scheme with the Housing Benefit Scheme
- Increase the maximum entitlement for working age Council Tax Reduction scheme from 91.5% to 95%
- Introduce a minimum weekly award of £1 per week
- Make provision for Universal Credit.

3. Financial Implications

3.1 The financial effect of:

- a. The legislative changes and their potential for impact are outlined in Appendix A, most of the proposed changes have no cost or saving implications for current customers;
- b. The cost of changes to accommodate UC are nil. These amendments seek to equalise access to CTR as for customers still in receipt of legacy benefits;
- c. The introduction of a minimum Working Age CTR award would affect seven current cases. As the intention is to award Discretionary Financial Assistance instead of a minimal CTR award, the financial implications will be nil. It is not possible to gauge how many new applications will be received where the customers will become entitled to a new CTR or DFA award.

- 3.2 The impact to the Collection Fund is demonstrated below. The Collection Fund expenditure on CTR would increase by about £81,505. The cost borne by BDC is circa 10% (£8,150) of the total costs of any scheme change because of the way the precepting authorities share the revenue generated from Council Tax collection.

Effect of increasing BDC CTR Working Age Max to 95% and minimum payment £1 a week					
		Number	Total Weekly CTR Increase	Avg Wkly Increase in CTR	Annual Cost to Coll Fund
Non Passported	Lose CTR	0	£0.00	£0.00	£0.00
	Awd under £1 wk	7	-£5.40	-£0.77	-£280.80
	Awds	962	£690.73	£0.72	£35,917.96
Passported Cases	Lose CTR	0	£0.00	£0.00	£0.00
	Awd under £1 wk	0	£0.00	£0.00	£0.00
	Awds	1312	£882.09	£0.67	£45,868.68
TOTAL		2281	£1,567.42	£0.69	£81,505.84

4. Legal Implications

- 4.1 Under the Local Government Act 1992 (as amended) the Council has the power to set its own Working Age CTR scheme.
- 4.2 Section 13a of the Local Government Finance Act gives power to reduce the amount of council tax payable.
- 4.3 There have been successful legal challenges against Council's Working Age CTR schemes where the consultation has not complied with the courts' interpretation. It is believed that the proposals for consultation outlined in this report would comply with the requirements.

5. Risk Management

- 5.1 This report is most closely linked with the Councils' Significant Risk No 5f – If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Joint Strategic Plan. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
It there is a successful legal challenge to the Working Age CTR scheme changes then it will negate any potential benefits	1 – Highly Unlikely	3 – Bad / Serious	Liaison with Legal Services and use of the wording used in Statutory Instruments referred to in Appendix A
If the changes impact individuals ability to pay then it could result in hardship and a reduction in the amount of council tax collected	2 - Unlikely	2 – Noticeable / Minor	Monitor collection closely and use discretionary financial assistance in special cases.

6. Consultations

- 6.1 Any changes to a Council's CTR Scheme must be adopted prior to 31st January before the financial year that the proposed changes affect i.e. 31st January 2018 in this case.
- 6.2 In addition, before any such changes can be adopted the Council is required to:
- a) consult any major precepting authority which has power to issue a precept to it;
 - b) publish a draft scheme in such manner as it thinks fit; and
 - c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 6.3 For 6.2 a) this would be Suffolk County Council and the Police & Crime Commissioner, both of whom will be approached direct.
- 6.4 6.2 b) would be satisfied by publishing the revised CTR Scheme on the Council's website, provided that attention is drawn to it on the "Home" page and elsewhere, such as:
- In a standard paragraph in every Council Tax, CTR and Housing Benefit letter sent out;
 - Posters in public access offices;
 - Use of social media;
 - Consideration should be given to a Press Release.
- 6.5 6.2. c) would include:
- Council Tax liable persons;
 - Those currently in receipt of a Council Tax Reduction (CTR):
 - Advisers regarding debt problems – including SCC FIAS, CAB, IHAG, Step Change and Shelter;
 - Landlords, in particular, social landlords and each Council's Housing Department.
- 6.6 Consulting those in 6.5 above can be carried out in tandem with the publication of the scheme by inviting comments from those who view it on-line and by the publicity suggested regarding publication above. Consideration could also be given to:
- e-mailing landlords, in particular social landlords;
 - e-mailing current CTR recipients
- 6.7 It is proposed that consultation, as set out above, should be carried out for a period of 4 weeks from 30th October 2017, with the outcome being reported back to the Councils in a report to the December 2017 meetings.

7. Equality Analysis

- 7.1 An Equality Impact Assessment has been completed for this report.

- 7.2 The proposals in this report, aside from the maximum and minimum CTR proposals, equalise the Pension Age CTR Scheme and the Working Age CTR Schemes ensuring age is not a reason for difference in treatment under either scheme.
- 7.3 The Council is required to operate a Discretionary Financial Assistance (DFA) scheme. DFAs are outside both the Council's Working Age CTR scheme and the Pensioner CTR scheme, but contained within the same legislation. DFAs are not dependent upon receipt of CTR for eligibility but are a reduction in Council Tax liability (effectively, a write-off) in a similar way to CTR.
- 7.4 DFAs exist to help with anomalies in the CTR schemes and council tax liability legislation, dealing with exceptional and unusual cases, enabling Councils to assist those in greatest need more than "normal" CTR.

8. Shared Service / Partnership Implications

- 8.1 Equalising the maximum CTR across both Councils at 95% will avoid confusion for staff in the Shared Revenues Partnership administering the schemes. It also eases confusion for customers moving between the areas or those who have joint HB/CTR claims. The confusion is currently caused by BDC having a maximum reduction of 91.5% whilst MSDC has a maximum of 95%.

9. Links to Joint Strategic Plan

The outcome to be achieved by this report most closely aligns with the ambition outlined in the Enabled and Efficient Organisation section of the Joint Strategic Plan.

10. Key Information

Background

- 10.1 From April 2013 the Government abolished the previous state benefit for Council Tax known as Council Tax Benefit (CTB) and replaced it by giving Councils the power to implement their own schemes, termed Council Tax Reduction (CTR) (also known as Council Tax Support). An overview of the current scheme is shown in Appendix B.
- 10.2 Prior to April 2013, CTB was funded by Government by a formula based upon actual expenditure. The basis was 100% funding for CTB properly paid, with reduced rates for overpayments etc.
- 10.3 As a result, in 2012/13, the last year of CTB, Babergh District Council (BDC) received 98.30% Government funding on CTB expenditure totalling £5,561,067.
- 10.4 CTR is classed as a discount and is taken into account when calculating each parishes and the Councils' tax base. The value of the discount is converted to a dwelling equivalent and reduced from the overall tax base.
- 10.5 From April 2013 the Government paid billing authorities a grant to compensate them for the loss of council tax income as a result of the tax base being reduced. Some of this grant was paid to parish and town councils on a reducing basis over a four year period. The grant was subsequently subsumed within the Revenue Support Grant (RSG), which is reducing to zero for both councils by 2019/20.

- 10.6 Since the introduction of CTR, the national picture has seen an increase in Council Tax arrears of £400m from 2012-13 to 2016-17. This will have been partially caused by Council Tax increases and the impact of local CTR schemes.
- 10.7 Analysis of collection rates and receipts of Council Tax published by the DCLG show that during 2016/17, 44% of authority's charged 20% or more in Council Tax as a minimum, 27% charged less than 20% and 21 % had retained the default scheme (effectively CTB) or introduced a scheme which required no minimum payment from those in receipt of CTR.
- 10.8 Local authorities with the highest minimum payments continue to be the local authorities with the largest increases in uncollected Council Tax. When comparing this to Councils that abolished CTB but did not set a minimum payment it was noticeable that there was no significant change between arrears in the 2016-17 year compared to 2012-13 (the group overall had an increase of £10,000) and Councils that retained CTB continued to have lower arrears this year than they did in 2012-13. This group's arrears declined by £13.8 million relative to their arrears in 2012-13. Babergh's collection performance is shown in Appendix D.
- 10.9 Babergh District Council currently operates two CTR schemes
- CTR State Pension Age Scheme; and
 - CTR Working Age (Local) Scheme
- 10.10 The state Pension Age Scheme is a prescribed scheme and Councils are prohibited from changing any aspect of the scheme
- 10.11 Babergh District Council's CTR scheme was introduced in April 2013 and the scheme allowed for the automatic adoption of annual uprating changes. However, in the intervening years, there have been a significant number of legislative changes which have both modified the Housing Benefit scheme and given Prescribed Requirements to the State Pension Age Scheme to align it with the Housing Benefit (HB) scheme. This has led to fundamental differences between the schemes currently in operation which are administratively burdensome and cause confusion for customers.
- 10.12 Additionally, the current CTR scheme makes no allowance for those customers who receive Universal Credit. BDC begins to move to a Full Service Universal Credit area from October 2017, the whole district being full service from April 2018. The number of claims received for CTR from Universal Credit customers is expected to steadily rise. These customers need to be treated in the same way for Universal Credit as entitlement to the legacy benefits would have secured. The scheme needs to be amended to allow for this fundamental change.

Options for a Revised Scheme from 1st April 2018

- 10.13 In setting out to update the scheme consideration was given to ensure the amended scheme would:-
- Adopt and continue to adopt, any relevant change set out in the Housing Benefit Regulations 2006 (or subsequent iterations) or issued as an amendment to the Council Tax Default or Pension Age Scheme as a change to the BDC Working Age CTR scheme

- Ease the administrative burden upon the authority
- Deal equitably with customers based on their financial situation
- Cater for the transfer to Universal Credit Full service for new customers
- Ensure a 'like for like' outcome for customers who have HB/CTR claims now but may need to claim Universal Credit following a relevant change of circumstances or migrate from such legacy benefits in due course.
- Continue to support those residents most in need; and
- Minimise any negative impact to the poorest households

Legislative Changes

10.14 Over the last 4 years the Government has amended the Housing Benefit scheme, including annual uprating. The proposal is to incorporate all of these changes (Listed in Appendix A) in to the Working Age Scheme from April 2018. There is no financial cost and minimal impact on our customers with existing claims.

Changes to Accommodate Universal Credit

10.15 As working age Housing Benefit (HB) cases move over to Universal Credit (UC) the Councils will cease processing new working age HB claims. The current timetable shows this commencing in full in Babergh in October 2017. There are some procedural changes proposed to ease the claiming of CTR for Universal Credit claimants as set out in Appendix C

Maximum CTR Change and Introduction of a Minimum CTR Award

10.16 At present, the maximum CTR in the BDC working age scheme is 91.5% and in the MSDC scheme it is 95%. It is proposed that this be equalised across the two Councils at 95%. It is also proposed that a minimum CTR award of £1 a week be implemented to avoid dealing with uneconomic awards – that is cases which cost more to assess than the award. The financial effect of these changes is set out in 3.2 above.

11. Appendices

Title	Location
(a) Legislative Changes	Attached
(b) Overview of the current schemes	Attached
(c) Details of proposed changes to accommodate Universal Credit	Attached
(d) CTR collection performance	Attached

12. Background Documents

- 12.1 The current BDC Working Age CTR Scheme at <http://www.babergh.gov.uk/assets/SRP/Council-Tax/Babergh-S13a-Scheme-Complete-v1.91.pdf>
- 12.2 New Policy Institute's report on 'Are cuts to Council Tax Support in England a false economy for Councils?' <http://www.npi.org.uk/publications/council-tax/are-cuts-council-tax-support-england-false-economy-councils/>

Authorship:

John Booty
Performance & Relationship Manager,
SRP

Tel. 01473 432651
Email: john.booty@ipswich.gov.uk

Andrew Wilcock
Senior Operations Manager, SRP

Tel: 01473 432694
Email: andrew.wilcock@ipswich.gov.uk

Katherine Steel
Assistant Director, Corporate Resources

Tel: 01449 724806
Email: Katherine.steel@baberghmidsuffolk.gov.uk

Appendix A – Legislative Changes

- Legislative changes and their impact explained.

- Restrictions on “persons from abroad” such that a person receiving a Job Seekers Allowance is no longer automatically deemed to have a right to reside in the UK and can be excluded from CTR eligibility;

There are very few such customers in the BDC area, the financial effect of this change will therefore be minimal.

- Making changes to the list of persons from abroad who do not need to show habitual residence in the UK;

There are very few such customers in the BDC area, the financial effect of this change will therefore be minimal.

- Excluding persons subject to immigration control from CTR entitlement;

There are very few such customers in the BDC area, and as such customers tend to occupy Hostel or Houses in Multiple Accommodation where CTR does not apply, the financial effect of this change will therefore be minimal.

- Removing the non-dependant deduction from a member of the military away on operations;

This change would only affect a member of the military whose sole or main residence was at their Parent’s or other relative’s home. To date, SRP has not come across such a case in any of the Council areas.

- Disregarding certain relatively unusual payments;

The payments listed are very rare and the financial effect would therefore be minimal, if any.

- Correcting drafting errors;

These do not affect the overall meaning of the legislation and have no financial effect.

- Changing the wording due to changes to Employment & Support Allowance;

These changes accommodate the removal of the “Work” element from Employment & Support Allowance. As this change has already taken place, the wording is currently obsolete and has no financial effect in itself.

- Changes consequent upon introduction of Personal Independence Payments and Universal Credit.

This is a wording clarification and has no financial effect.

- Further changes affecting persons from abroad

There are very few affected customers in the BDC area; the financial effect of this change will therefore be minimal.

- Minor wording changes.

This is a wording clarification and has no financial effect.

- When earnings are taken in to account, consequent on a Court case;

This is a wording clarification and has no financial effect.

- Changes consequent upon changes to National Insurance changes;

As this change has already taken place, the wording is currently obsolete and this has no financial effect in itself.

- Remove the Family Premium from the means test for new claims;

This would result in a reduction in the CTR award for means-tested working age **new** CTR claims of a maximum of £3.49 per week (20% of the £17.45 Family Premium). This has been introduced as a transition step towards UC where no Family Premium applies.

- Where a carer gets a care element in their Universal Credit the person being cared for cannot get a care addition in their CTR;

Carers cannot currently claim UC in BDC, there is therefore no financial effect as yet. This change prevents a “double” carer award in such cases.

- Reduce the period that a customer can be temporarily absent, yet maintain their claim, from 13 weeks to 4 weeks in most cases.

A Temporary Absence award is very rare in CTR as, for example, if the person liable for Council Tax is on remand, they are exempt from Council Tax. In many other cases, the property remains occupied by another person, who would then become liable for the Council Tax.

- Introduces the “2 child” restriction for new claims to CTR so as to align the CTR scheme with all other Benefits

Many of our current Working Age claims with more than 2 children have “passport benefits” and therefore are unaffected by this change (as far as CTR is concerned); a few are Pension Age customers and their claims will be subject to this change already.

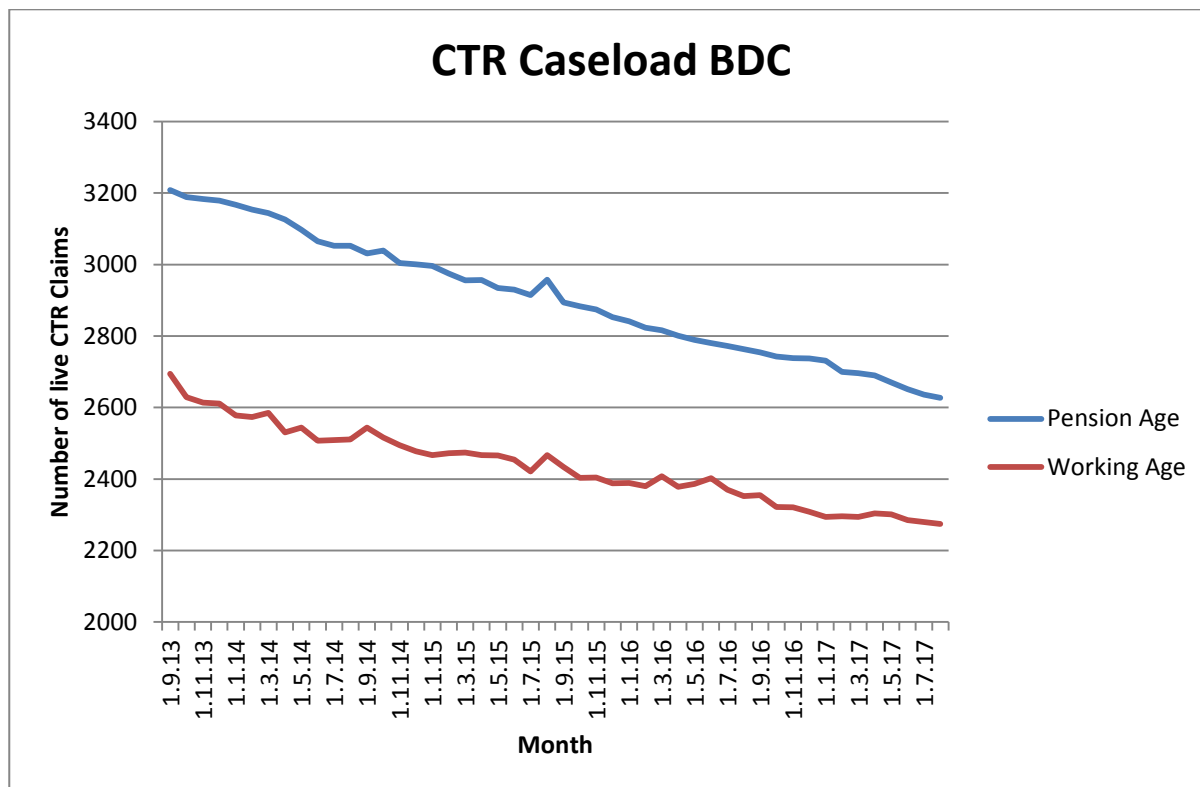
Appendix B - Overview of the Current Schemes

1. This report is using June 2017 as its reference point. At June 2017 the number of CTR claims was:

CTR Claims as at June 2017	BDC No	BDC %
Total CTR claims	4,936	100.00%
Pension Age Passported	1,516	30.71%
Pension Age Means Tested	1,135	22.99%
Working Age Passported	1,315	26.64%
Working Age Means Tested	970	19.65%

2. A few of these claims have a zero award, but remain live whilst the claimant can challenge the figures used. This shows that BDC can control expenditure on just over 46% of the claimant population.
3. "Passported" means in receipt of:
 - Pension Credit (Guarantee Credit);
 - Job Seekers Allowance (Income Based);
 - Income Support; or
 - Employment & Support Allowance (Income Related).
4. In such cases the Council does not carry out any means testing and automatically awards the maximum rate of CTR, less any non-dependant deduction. The maximum CTR for Pensioners is 100%. For BDC working age it is currently set at 91.5%, in other words BDC working age residents pay 8.5% Council Tax.
5. "Means Tested" means not in receipt of the specified benefits in 8 below. In these cases a full means test is required that compares income to a Government set Applicable Amount. Since 2013 the Applicable Amount set for Housing Benefit has been used. If the income is below the applicable amount, maximum CTR is paid, then for each £1 a week of income that exceeds the applicable amount, 20 pence a week is deducted from the maximum CTR. This is known as the "taper" and is currently set at 20% for Pensioners and 20%.
6. In both "Passported" and "Means Tested" cases, a non-dependant deduction is made from the award of CTR if there are any non-dependants in the household. A non-dependant is a person over the age of 16 who is not residing there on a commercial basis (boarders and lodgers), typically a grown-up child or other relative.
7. It should be noted that Universal Credit is replacing:
 - Job Seekers Allowance (Income Based);
 - Income Support;
 - Employment & Support Allowance (Income Related).
 - Housing Benefit
 - Working Tax Credits; and
 - Child Tax Credits.

8. There is no equivalent to “Passported” for a person in receipt of Universal Credit (UC).
9. From its introduction, the number of CTR claims has been steadily reducing, mainly due to the pick-up in the economy. Records of CTR claims for the two councils are shown in the tables below:



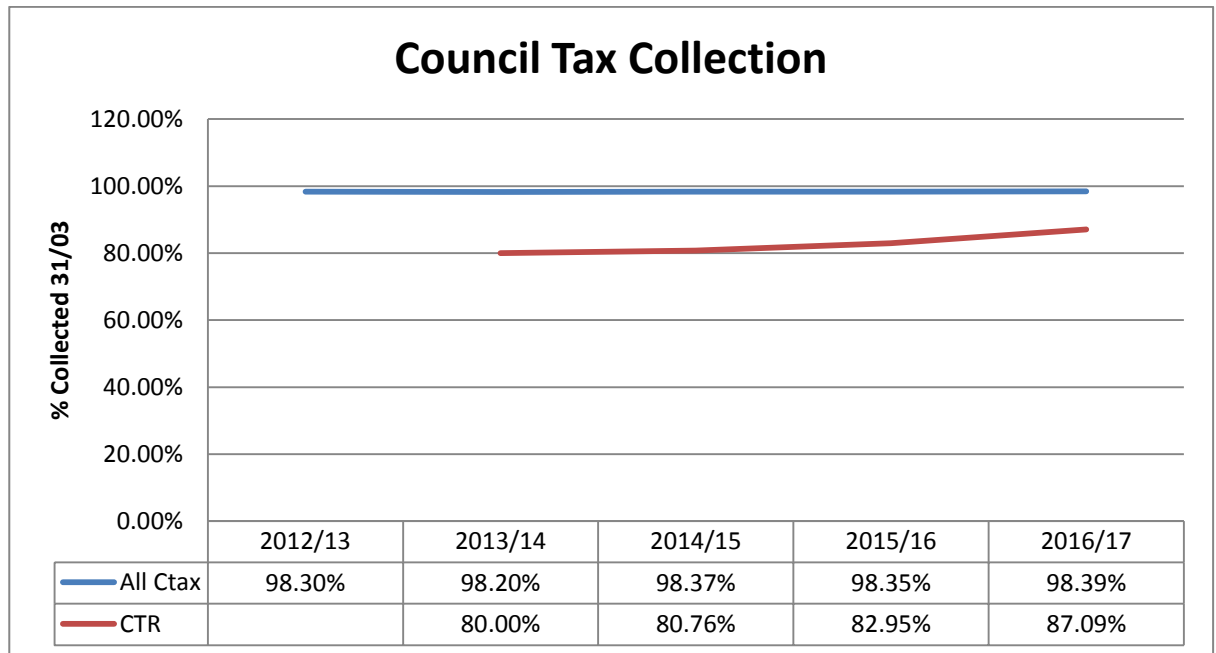
10. For BDC, working age claims fell from 2,694 to 2,274 in 4 years, a fall of 15.6%. The number of pensioner claims has fallen significantly over the same period, 18.1% in BDC. This fall in claim numbers reduces the Council's expenditure on CTR, but could, of course, reverse if the economy goes in to decline.

Appendix C – Details of proposed changes to accommodate Universal Credit

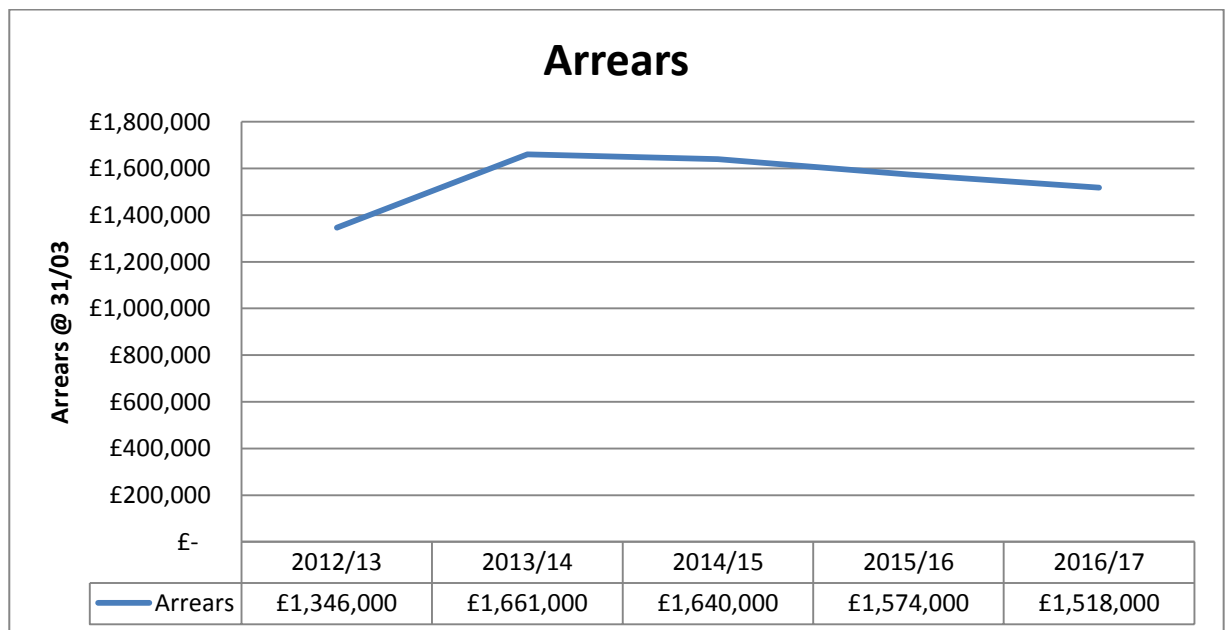
1. There will still be a requirement to consider CTR awards for recipients of Universal Credit. This presents several issues as outlined below:
 - At present the CTR assessment “piggy backs” on the HB assessment as both are assessed using similar rules and the same IT system. Losing the HB claims removes the economy of scale and the Councils would be carrying out a complex means test for what is often a nominal award.
 - UC awards are taking 8 -12 weeks to process. In many cases customers do not realise that they need to claim CTR separately from the Council – they believe their on-line UC claim covers CTR. It can be up to 12 weeks before they realise this and the current rules only allow a month after making a UC (or passport benefit) claim to submit a CTR claim that can run from the date of the UC claim.
 - UC requires a full means test and customers would be subject to a separate means test for CTR unless a new approach is adopted.
2. In order to resolve these issues it is proposed that:
 - The Councils Working Age CTR schemes treat a UC award based upon nil earnings and nil income as a “passported” award and automatically awards full CTR with no means test (subject to any non-dependant deduction). The “proof” required would be sight of the claimant’s full UC award letter proving nil earnings and nil income.
 - The Working Age CTR scheme be amended so that a person who makes a UC claim has 13 weeks from the date of that claim in which to make a CTR claim that can treat the CTR claim made date as the UC claim made date, therefore awarding CTR from that UC claim date.
 - A claimant in receipt of UC, with no earnings and no income, would receive maximum CTR after a means test under the current scheme. By classifying these customers as “passported” means there will be an administrative saving from not having to conduct a means test. There is no effect on the amount of CTR awarded and the risk of challenge is negated.
3. There will also be a beneficial effect upon collection due to the proposed 13 weeks to make a CTR claim for UC claimants and a consequent saving in administration with not having to consider back-dating requests.

Appendix D Council Tax collection performance 2012-2016

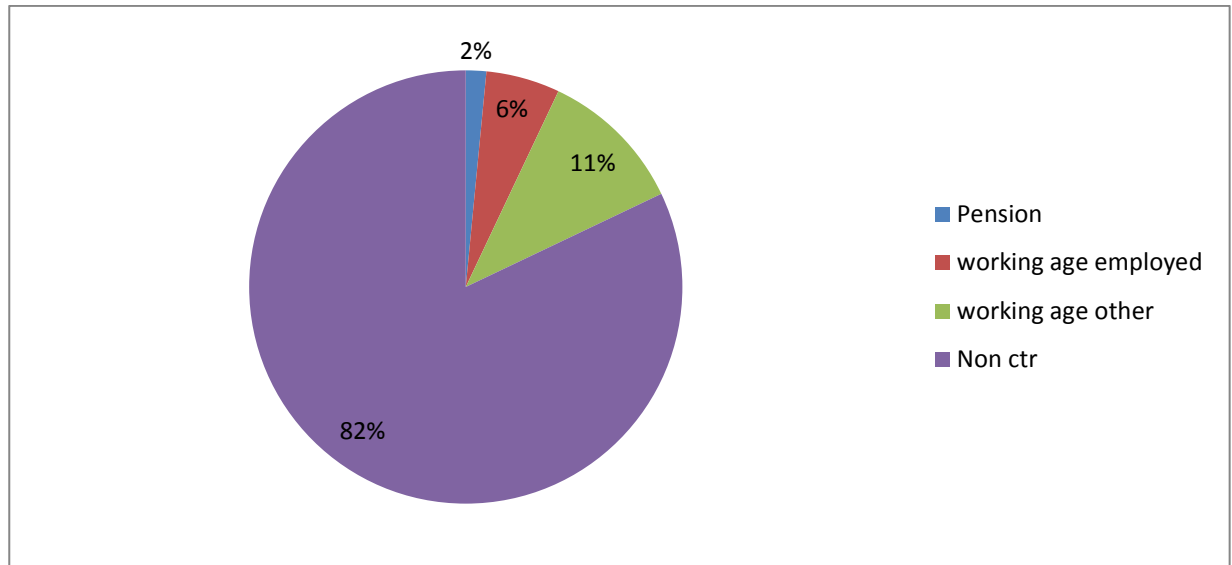
Babergh Council Tax / CTR performance



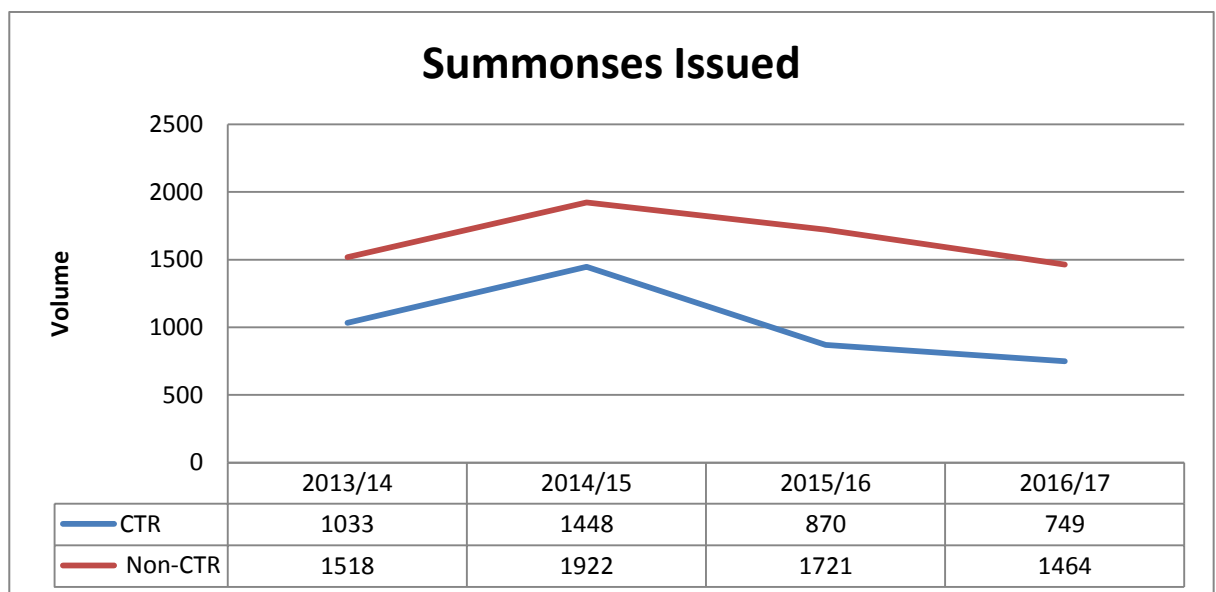
CTR was introduced on the 1/4/2013



Breakdown of 2016/17 arrears



Around 19% of the arrears at the 31/3/17 are in respect of customers in receipt of CTR, but please note the arrears could include debts accrued before entitlement to CTR.



The number of summonses issued to CTR cases has fallen, but so has the overall CTR caseload.

Where a customer in receipt of CTR fails to pay and a liability order is obtained the Council applies to the DWP for a deduction from their benefit. This is £3.75 per week. At the current 8.5% this could still be recovered in year. Around 15% of the CTR caseload received a summons in 2016/17