

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b>	<b>Joint Overview and Scrutiny Committee</b>	<b>REPORT NUMBER: JOS/22/9</b>
<b>FROM:</b>	<b>Melissa Evans – Director Corporate Resources</b>	<b>DATE OF MEETING:</b> <b>19 September 2022</b>
		<b>KEY DECISION REF NO.</b>

### Council Tax Reduction Scheme

#### 1. PURPOSE OF REPORT

- 1.1 To discuss and receive feedback (before Cabinet approval is sought) on the proposed changes to the 2023/24 Council Tax Reduction (Working Age) Scheme that will come into effect from 1<sup>st</sup> April 2023.

#### 2. OPTIONS CONSIDERED

##### 2.1 Option 1

Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all households.

This is the simplest change to introduce but perpetuates the existing problems of Universal Credit customers being put through a secondary means-test process and then being subject to monthly means-tested reviews as UC awards change. As the UC caseload increases, the workload is likely to become unmanageable and lead to long delays for all customers (including those on Housing Benefit) unless there is to be further investment in additional resources.

##### 2.2 Option 2

Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all legacy benefit households and introduce a simplified scheme for UC customers that will allow 'passported' claims to be automated based on the UC financial data without additional verification.

UC claims without additional earnings would be awarded a 100% reduction on their Council Tax automatically based on their calculated UC entitlement. Customers with additional earnings will be managed within the scheme based on the level of earnings they receive as evidenced to and reported by DWP.

This scheme will maximise the opportunity for automation of UC notifications, offer a transparent scheme that will allow customers to calculate their own entitlement 'at a glance' and dramatically reduce the number of transactions that would lead to new bills/notifications being produced.

##### 2.3 Option 3

Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all legacy benefit households and introduce a simplified scheme for UC customers that will allow 'passported' claims to be automated based on the UC

financial data without additional verification. Create a transitional protection scheme to support those households who would be worse off under the simplified UC scheme.

It has the same benefits as option 2 above but the added dimension ensuring no household suffers a loss in support through the implementation of the scheme while their circumstances remain the same.

## 2.4 Option 4

Continue with the current CTR scheme for 2022/23

Continuing with the current scheme perpetuates the existing problems of Universal Credit customers being put through a secondary means-test process and then being subject to monthly means-tested reviews as UC awards change. As the UC caseload increases, the workload is likely to become unmanageable and lead to long delays for all customers (including those on Housing Benefit) unless there is to be further investment in additional resources.

<b>3. RECOMMENDATIONS</b>
3.1 Overview & Scrutiny to make comments and recommendation to Cabinet for the approval of the preferred option for the changes to the Council Tax Reduction (Working Age) Scheme that will come into effect from 1 <sup>st</sup> April 2023.
<b>REASON FOR DECISION</b>
3.2 To increase the maximum reduction available to 100% and reduce the number of customers undergoing recovery processes.
3.3 To avoid unnecessary means testing and provide equitable access to CTR for all customers who receive welfare benefits.
3.4 To reduce the requirement for recalculation of awards for customers on UC with fluctuating earnings.

## 4. KEY INFORMATION

4.1 The Councils currently operates two Council Tax Reduction (CTR) schemes:

- CTR State Pension Age Scheme; and
- CTR Working Age (Local) Scheme

4.2 The State Pension Age Scheme is a prescribed scheme and councils are prohibited from changing any aspect of the scheme.

4.3 The Councils CTR Working Age (Local) Scheme (CTRS) was first introduced in April 2013 offering a maximum reduction in Council Tax to eligible households of 91.5% (Babergh) and 95% (Mid Suffolk).

- 4.4 The Scheme was subsequently revised in 2018 – increasing the maximum reduction available to 95% for both councils whilst allowing customers in receipt of the then new Universal Credit (UC) the same access to CTR as recipients of the legacy benefits which Universal Credit had replaced.
- 4.5 The CTR schemes ‘piggyback’ on the means-tested Housing Benefit (HB) scheme using the same calculation method & rules for entitlement. This works well for those customers who receive both Housing Benefit and Council Tax Reduction although, for a number of customers, this means-testing is undertaken solely to calculate entitlement to CTR. I will refer to these as CTR only cases.
- 4.6 The number of CTR only cases have grown as Universal Credit becomes the primary benefit claimed by new customers requiring help with rent. Additionally, the Department for Work and Pensions (DWP) have been migrating all existing working age HB claimants onto Universal Credit. This migration will continue for legacy benefits at an unspecified date in the future. Whilst a ‘natural’ migration had been planned, the Coronavirus pandemic caused a significant acceleration in this migration as many existing customers experienced a significant change in their circumstances which required a move from HB to UC.
- 4.7 Since the introduction of the revised scheme in 2018, the caseload profile for recipients of Council Tax Reduction has changed significantly and now almost 60% of CTR customers receive Universal Credit.
- 4.8 The operation of the current CTR scheme is administratively burdensome. UC has award periods which require reviews to entitlement of UC every month for people who work. These reviews generate new award notifications to Local Authorities (LA’s) for any change in circumstances which, in turn, prompt a reassessment of CTR awards.
- 4.9 These reassessments consequently create Council Tax (CT) adjustments which necessitate the production of a new CT bill. Each new bill notifies the customer that a new instalment plan has been set (satisfying the legal notice period) and of the date when the first instalment falls due. This effectively defers the customer from making CT payments and, just before that new instalment falls due, UC recalculates again, and the process is repeated. This constant deferral causes confusion for customers as to when and how much to pay and can lead to accrual of CT arrear debt.
- 4.10 As the current scheme requires that everyone contributes towards their Council Tax by at least 5%, many CTR customers are left with small balances to pay. These balances are difficult to collect, and recovery processes can lead to customers incurring costs – sometimes the cost of which exceeds the balance to pay.
- 4.11 Given the current challenges faced by customers and the Council described above, officers have undertaken a review of the CTR scheme and proposed some options for consideration.

## 5. OPTIONS TO BE CONSIDERED

### Option 1

**Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all households.**

Moving to a 100% reduction maximum scheme would mean those customers who are living on welfare benefits alone would have no Council Tax to pay and would not be subject to recovery processes or related costs.

This is the simplest change to introduce but perpetuates the existing problems of Universal Credit customers being put through a secondary means-test process and then being subject to monthly means-tested reviews as UC awards change. As the UC caseload increases, the workload is likely to become unmanageable and lead to long delays for all customers (including those on Housing Benefit) unless there is to be further investment in additional resources.

### 5.1 Option 2

**Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all legacy benefit households and introduce a simplified scheme for UC customers that will allow 'passported' claims to be automated based on the UC financial data without additional verification.**

Like option 1 it would mean those customers who are living on welfare benefits alone would have no Council Tax to pay and would not be subject to recovery processes or related costs.

It would also be a mechanism which reduces the requirement to recalculate awards, provide clarity for customers with fluctuating earnings and allow for any Council Tax due to be spread over the year.

UC claims without additional earnings would be awarded a 100% reduction on their Council Tax automatically based on their calculated UC entitlement. Customers with additional earnings will be managed within the scheme based on the level of earnings they receive as evidenced to and reported by DWP.

This scheme will maximise the opportunity for automation of UC notifications, offer a transparent scheme that will allow customers to calculate their own entitlement 'at a glance' and dramatically reduce the number of transactions that would lead to new bills/notifications being produced.

### 5.2 Option 3

**Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all legacy benefit households and introduce a simplified scheme for UC customers that will allow 'passported' claims to be automated based on the UC financial data without additional verification. Create a transitional protection scheme to support those households who would be worse off under the simplified UC scheme.**

It has the same benefits as option 2 above but the added dimension ensuring no household suffers a loss in support through the implementation of the scheme while their circumstances remain the same.

### 5.3 Option 4

#### **Continue with the current CTR scheme for 2022/23**

Continuing with the current scheme perpetuates the existing problems of Universal Credit customers being put through a secondary means-test process and then being subject to monthly means-tested reviews as UC awards change. As the UC caseload increases, the workload is likely to become unmanageable and lead to long delays for all customers (including those on Housing Benefit) unless there is to be further investment in additional resources.

## 6. LINKS TO CORPORATE PLAN

- 6.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan.

## 7. FINANCIAL IMPLICATIONS

- 7.1 The table below shows the total Council Tax liability and value of Working Age Council Tax Reduction for the current financial year. As CTR is a daily reduction, the value of liabilities and reductions changes on a daily basis as this is affected by the number of live claims and their entitlement to CTR as well as the impact of reliefs and discounts on liabilities for Council Tax itself.

	<b>GROSS LIABILITY</b>	<b>CTR 22/23 95% SCHEME</b>	<b>NET LIABILITY</b>
<b>BABERGH – WORKING AGE</b>	<b>£3,263,608</b>	<b>£2,500,195</b>	<b>£763,413</b>
<b>MID SUFFOLK – WORKING AGE</b>	<b>£3,071,061</b>	<b>£2,352,436</b>	<b>£718,624</b>

- 7.2 The financial impacts in respect of cost arising from the proposals within this report are detailed within the appendices.
- 7.3 In respect of savings, it is difficult to quantify as reductions in service cost will impact partner contributions in subsequent year depending on the churn of cases.

## 8. LEGAL IMPLICATIONS

- 8.1 Section 13A(1) of the Local Government Finance Act 1992 (as amended) states that the amount of council tax which a person is liable to pay in respect of any

chargeable dwelling and any day (a) is to be reduced to the extent if any required by the Council’s council tax reduction scheme under section 13A(2). Subsection 13A(1)(c) allows that in any case the council tax liability may be reduced, or if the amount has already been reduced under section 13A(1)(a), to such further extent, as the Council thinks fit. Under Section 13A(2) the Council must make a scheme specifying the reductions which are to apply to amounts of council tax payable in respect of dwellings situated in its area, by (a) persons whom the Council considers to be in financial need, or (b) persons in classes consisting of persons whom the Council considers to be, in general, in financial need. Section 13A(6) confirms the power under subsection (1)(c) includes the power for the Council to reduce an amount of council tax liability to nil.

8.2 Schedule 1A sets the arrangements for council tax reduction schemes. Paragraph 2 details the matters to be included in schemes, for example Paragraph 2(1) states that a scheme must state the class of persons who are to be entitled to a reduction under the scheme, and paragraph 2(3) says a scheme must set out the reduction to which each person in each class are to be entitled, and different reductions may be set out for different classes. Paragraph 4(d) confirms a reduction may be the whole amount of council tax (so that the amount payable is nil). Paragraph 5 of Schedule 1A requires the Council each financial year to consider whether to revise its scheme or replace it with another scheme.

8.3 Before making a scheme, the Council has a duty to (in the following order): (a) consult any major precepting authority which has the power to issue a precept to it; (b) publish a draft scheme, and (c) consult “such other persons as it considers are likely to have an interest in the operation of the scheme.” (Schedule 1A Paragraph 3(1)). Once the Council has made the scheme it must publish it in the manner it thinks fit (Paragraph 3(3) of Schedule 1A).

8.4 If a Council fails to consult in accordance with the Act and the so-called Gunning principles on consultation, there is a possibility that any scheme could be subject to a challenge of Judicial Review, and if successful may be set aside. These principles are: (1) proposals are still at a formative stage; (2) there is sufficient information to give ‘intelligent consideration’; (3) there is adequate time for consideration and response; and (4) ‘conscientious consideration’ must be given to the consultation responses before a decision is made. The Council should therefore ensure that it consults with anyone who is likely to have an interest in the scheme, provide enough information of the scheme, and sufficiently reasonably time to respond, and it must then properly consider and take into account any responses received.

## 9. RISK MANAGEMENT

9.1 This report is most closely linked with the Council’s Corporate / Significant Business. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
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Successful legal challenge to the Working Age CTR scheme changes	Highly unlikely	Bad/Serious	Follow legal requirements for public consultation
Failure to meet the deadlines for agreeing/ implementing the scheme	Highly Unlikely	Bad/Serious	Project Management Committee Scheduling Gateway Reviews Test system set-up

## 10. CONSULTATIONS

- 10.1 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.
- 10.2 In 10.1 above:
- Major precepting authorities would be Suffolk County Council and the Police & Crime Commissioner for Suffolk, both of whom can be approached direct.
- 10.3 Publishing the scheme would be satisfied by publishing the revised CTR Scheme on the Council's Web Site, provided that attention is drawn to it on the "Home" page and elsewhere, such as:
- i. in Social Media posts,
  - ii. in the signature panel of Council e-mails,
  - iii. in a standard paragraph in every Council Tax, CTR and Housing Benefit letter sent, and
  - iv. in a local press release.
- 10.4 Consultation would include:
- i. Council Tax liable persons.
  - ii. Those currently in receipt of a Council Tax Reduction (CTR):
  - iii. Advisers regarding debt problems – including SCC Financial Inclusion Advice Service, Citizens Advice, Anglia Care Trust, Step Change, Ipswich Housing Action Group and National Debt Line; and
  - iv. Landlords, in particular, Social Landlords and the Council's Housing Departments.

Consulting those 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.

10.5 A draft timeline for the consultation and decision making is shown below

	Cabinet decision on consultation	6-week consultation	Earliest date to make a decision		Latest date to make the decision	
			Cabinet	Council	Cabinet	Council
Babergh	3 <sup>rd</sup> October 2022	13 <sup>th</sup> October to 24 <sup>th</sup> November	9th January 2023	24th January 2023	6 <sup>th</sup> February 2023	20 <sup>th</sup> February 2023
Mid Suffolk	3 <sup>rd</sup> October 2022	13 <sup>th</sup> October to 24 <sup>th</sup> November	13th January 2023	26th January 2023	6th February 2023	23 <sup>rd</sup> February 2023

## 11. EQUALITY ANALYSIS

11.1 The proposals in this report equalise the Pension Age CTR Scheme and the Working Age CTR Scheme by offering up to 100% Council Tax Reduction thus ensuring that as well as age, there won't be discrimination against the other protected characteristics under the Equality Act 2010 (disability, sex, gender reassignment, pregnancy, maternity, race, sexual orientation, religion, or belief or because someone is married or in civil partnership)

Equality Impact Assessment (EIA) not required for consultation but will be undertaken prior to any scheme change implementation.

## ENVIRONMENTAL IMPLICATIONS

11.2 The proposal to amend the Local Council Tax Reduction Scheme does not have a detrimental impact on the Council's climate change objectives.

## 12. APPENDICES

Title	Location
(a) Financial Impact Option 1	Attached
(b) Financial Impact Option 2	Attached
(c) Financial Impact Option 3	Attached

## 13. BACKGROUND DOCUMENTS

13.1 None.

## Appendix (a) - Option 1

### ***Increase the maximum rate of CTR from 95% to 100% reduction of the Council Tax charge maintaining alignment with the Housing Benefit Scheme.***

This provides for the simplest change and allows for all customers to be treated in the same way. The caseload changes on a daily basis but the table below demonstrates the approximate cost of change.

Table 1

Option 1	Council Tax Net Collectable Liability £	Cost of CTR 22/23 95% Scheme £	Cost of CTR 22/23 100% Scheme £	Cost of uplift to 100% Scheme £	Caseload on 30 <sup>th</sup> June 2022
Based on data as of 30 <sup>th</sup> June 2022					
<b>BDC – Working Age</b>	780,579	2,510,697	2,658,111	£147,414	2,469
<b>MSDC – Working Age</b>	727,118	2,352,038	2,494,807	£142,769	2,297

The cost of the CTR scheme is borne proportionally by precepting authorities.

Based on the 2022/23 Council Tax Band D figures, the increase in the scheme costs would impact the preceptors by the following amounts:

Table 2

#### **Babergh**

Cost of uplift to 100% Scheme	Suffolk County Council 73.7%	Police & Crime Commissioner 12.7%	Babergh Council 9.1%	Parish Average 4.6%
<b>£147.4k</b>	£108.6k	£18.7k	£13.4	£6.7

#### **Mid Suffolk**

Cost of uplift to 100% Scheme	Suffolk County Council 74.1%	Police & Crime Commissioner 12.8%	Mid Suffolk Council 8.8%	Parish Average 4.3%
<b>£142.7k</b>	£105.8k	£18.2k	£12.6k	£6.1k

## Appendix (b) – Option 2

**Increase the maximum rate of CTR from 95% to 100% reduction of the Council Tax charge maintaining alignment with the Housing Benefit Scheme for legacy customers and introduce a Banded Earnings element to the scheme to account for Universal Credit customers.**

This scheme (as modelled) costs just £22,810 (BDC) & £16,014 (MSDC) more to support than option 1.

Table 3

Option 1	Council Tax Net Collectable Liability £	Cost of CTR 22/23 95% Scheme £	Cost of CTR 22/23 100% Scheme £	Cost of uplift to 100% Scheme £	Caseload on 30 <sup>th</sup> June 2022
Based on data as of 30 <sup>th</sup> June 2022					
<b>BDC – Working Age</b>	780,579	2,627,847	2,680,921	170,224	2,469
<b>MSDC – Working Age</b>	727,118	2,459,831	2,510,821	158,783	2,297

The cost of the CTR scheme is borne proportionally by precepting authorities.

Based on the 2022/23 Council Tax Band D figures, the increase in the scheme costs would impact the preceptors by the following amounts:

Table 4

### Babergh

Cost of uplift to 100% Scheme	Suffolk County Council 73.7%	Police & Crime Commissioner 12.7%	Babergh Council 9.1%	Parish Average 4.6%
£170.2k	£125.4k	£21.6k	£15.5k	£7.7k

### Mid Suffolk

Cost of uplift to 100% Scheme	Suffolk County Council 74.1%	Police & Crime Commissioner 12.8%	Mid Suffolk Council 8.8%	Parish Average 4.3%
£158.7k	£117.7k	£20.2k	£14.0k	£6.8k

Option 2 was modelled assuming the following income thresholds for customers on UC. These are completely flexible, and both the band thresholds and weekly contribution can be amended.

Table 5 – Income Bands

Income Bands (Monthly)	monthly contribution	Income Bands (Weekly up to)	Weekly contribution
Not in work or less than £290	£0	Not in work or less than £66.92	£0
£290 - £609.99	£35	£140.77	£8.08
£610 - £1159.99	£80	£267.69	£18.46
£1160 to £1844.99	£120	£425.77	£27.69
£1845 - £2369.99	£185	£546.92	£42.69
£2370 - £2899.99	£240	£669.23	£55.39
Over £2900	No entitlement to CTS	over £669.23	No entitlement to CTS

Only those UC customers who earn over £290 per month would need to make any contribution towards their Council Tax and, provided their earnings do not fluctuate greatly, payments would remain the same throughout the year.

The main groups of people who benefit from this scheme are those where the claimant or partner had Carers Allowance or Employment Support Allowance included within their Universal Credit. This is counted as income within the current scheme and 20% of that income is used to reduce weekly entitlement to CTR. Under the new scheme, those customers who do not work are 'passport' to full CTR. Those customers who work and have Carers/Employment Support Allowance, have this 'other' income disregarded as additional income and, as such, see less of a reduction to their weekly entitlement.

93.67% (BDC) 95.37% (MSDC) of customers receive the same/better reduction than under the current scheme.

The customers who are adversely affected by this change are those who have Housing Costs included within their UC. The current scheme assumes that the assessed UC level is equivalent to the 'basic living allowance' used for legacy benefit customers and results in higher entitlement to CTR.

### Appendix (c) – Option 3

**Renew the existing Working Age LCTR Scheme to allow an up to 100% maximum reduction for all legacy benefit households and introduce a simplified scheme for UC customers that will allow ‘passported’ claims to be automated based on the UC financial data without additional verification. Create a transitional protection scheme to support those households who would be worse off under the simplified UC scheme.**

Introducing a Transitional Protection Scheme to preserve the award for 23/24 to at least that of the entitlement in 22/23 would have the following estimated cost:

Babergh	£28,500
Mid Suffolk	£23,500

These estimates assume a Transitional Protection award for the whole of the financial year 2023/24.