


Agenda Item No:	7	
Committee:	Overview and Scrutiny Panel	
Date:	02 September 2019	
Report Title:	Council Tax Support – 2020/21 scheme	

Cover sheet:

1 Purpose / Summary

Each year the Council is required to review its Council Tax Support (CTS) Scheme. This report advises Overview and Scrutiny of the progress of the 2019 annual review and the resultant proposals for consultation for changes to the CTS scheme to take effect from April 2020.

2 Key issues

- We are now in the seventh year of CTS; a locally set scheme that replaced the nationally set Council Tax Benefits (CTB) scheme from April 2013.
- In 2013-14 we were able to take advantage of a one-off Government grant that compensated in part for the reduction in Government funding that year. This meant that the maximum CTS awarded was the amount calculated, less 8.5% (Pensioners are protected by legislation and receive up to 100% CTS).
- In 2014-15, we initially proposed this reduction be increased to 20%. However a reduction in demand meant that we were able to revise this reduction to 14%.
- For 2015-16 and 2016-17 we kept the same scheme as 2014-15, except that allowances and premiums (the amounts of income from state-administered benefits such as Jobseekers' Allowance) were increased in line with other benefits such as Housing Benefit. This means that customers have a higher income before losing CTS.
- For the 2017-18 scheme, as part of the Council's Comprehensive Spending Review (CSR1), we consulted customers on a proposal to increase the CTS reduction for working age customers from 14% to 20% starting from 1 April 2017. Based upon feedback from customers and the potential impact on collection rates, Overview and Scrutiny members at their meeting on 28 November 2016, recommended to Cabinet and Council that the 14% reduction level be maintained. This recommendation was subsequently approved and the scheme contribution rate remained unchanged.

- For the 2018-19 scheme we consulted on a proposal to harmonise the scheme to DWP welfare reforms introduced for Housing Benefit and CTS for Pensioners, and introducing closer links to Universal Credit data share for claims, thereby removing the stipulation to make a separate claim. This was subsequently approved and introduced.
- For 2019-20 we kept the same scheme as for 2018-19.
- Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 11 March of the preceding year.
- Where Councils seek to amend their scheme it will be necessary to consult preceptors and stakeholders prior to a wider consultation to inform a final scheme design by 28 February of the preceding year. Therefore work has commenced to allow sufficient time to consult, approve and implement changes prior to 28 February 2020.
- The current Fenland CTS scheme provides a maximum benefit of 86% for working age claimants and our scheme also fully protects War Pensioners. The aim in designing the scheme was to achieve a balance in charging an amount of Council Tax to encourage customers back into work whilst setting the amount charged at an affordable and recoverable level.
- Three options for changes to the current scheme are presented for consideration:
 - (i) to increase the customer contribution rate to 20%;
 - (ii) to reduce the customer contribution rate to 8.5% and
 - (ii) to introduce a fluctuating earnings rule to the treatment of Universal Credit.
- Should Members decide not to recommend changing the customer contribution rate, this will remain at 14% for the 2020/21 scheme.

3 Recommendations

The Panel is requested to:

- Review the CTS scheme for 2020-21 as outlined in this report and recommend to Cabinet any changes to the scheme which will require consultation to be undertaken.

Wards Affected	All
Forward Plan Reference	This item is included in the Forward Plan
Portfolio Holder(s)	Cllr Chris Boden, Leader & Portfolio Holder, Finance Cllr Mrs Jan French, Deputy Leader
Report Originator(s)	Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer; Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
Background Paper(s)	None

Report:

1 Introduction

- 1.1 Before April 2013, Council Tax Benefit (CTB) was a nationally controlled scheme administered by District and Unitary Councils that give reductions from Council Tax to people on low incomes according to set criteria specified by regulations. The maximum reduction was 100% of a person's Council Tax bill.
- 1.2 The costs of CTB were fully reimbursed to the Council by the DWP, so that if demand rose or fell, the Council did not bear the costs of these changes.
- 1.3 CTB was localised and replaced by CTS in April 2013. At the same time, Government funding was reduced and CTS was localised, coming under the control of District and Unitary Councils. Whilst pensioners were protected and regulations specified that they must still receive up to 100% CTS, this protection did not apply to working age people.
- 1.4 Unlike CTB, the costs of CTS are borne by Councils. Funding is given by the Government within the overall finance settlement, but this has reduced significantly over the years so that Councils bear the costs of an increase in demand but gain from reduced demand.
- 1.5 The implementation of CTS left Fenland with a funding gap, that potentially saw working age customers only being entitled to 80% CTS. However, Members considered the options available to help increase CTS and were able to implement a scheme in 2013-14 that saw working age customers be entitled to up to 91.5% of CTS; in two ways.
- 1.6 Members primarily met the funding shortfall by revising Council Tax exemptions on empty properties, permitted by regulations that changed in 2013. This meant that the Council would no longer give a Council Tax reduction for most empty domestic properties.
- 1.7 The funding shortfall was further closed by a one-off transitional Government grant that applied in 2013-14 only.
- 1.8 In 2014-15 this grant was not available. With demand for CTS not growing as much as was predicted for 2013-14, Members were able to revise the CTS scheme to feature a reduction of 14% CTS for working age customers.
- 1.9 Councils are required to review the operation of their CTS schemes annually. They are required to make any revisions no later than 28 February in the financial year preceding that for which the scheme will be revised (i.e. 28 February 2020 for the scheme relating to the 2020-21 financial year).
- 1.10 Further annual reviews determined that the CTS reduction remained at 14% since 2015-16, with further links to Welfare Reform and Universal Credit introduced for 2018-19. That scheme was retained for 2019-20.
- 1.11 We are now reviewing our CTS scheme for the 2020-21 financial year.

2 The 2019 review

- 2.1 Councils are required to review operation of their CTS schemes each year. Where a change is proposed, we are required to undertake customer consultation; the results of which assist in the final decision made by the Council regarding the CTS scheme next year.
- 2.2 Three proposals are presented for members consideration, to increase the contribution rate from 14% to 20%; to reduce the contribution rate from 14% to 8.5% and to introduce a fluctuating earnings rule to the assessment of Universal Credit awards.
- 2.3 Members will be aware that this Council is one of five partners forming the Anglia Revenues Partnership (ARP). The other four Councils are Breckland, East Cambridgeshire, West Suffolk (formerly Forest Heath and St. Edmundsbury) and East Suffolk (formerly Waveney and Suffolk Coastal). These Councils have maintained the contribution rate in their schemes at 8.5% since 2013. They are not proposing any changes to this rate for 2020-21.
- 2.4 The other Councils within ARP will all be considering the change to introduce a fluctuating earnings rule to the assessment of Universal Credit awards as detailed in section 4 of this report.
- 2.5 Currently, apart from a different contribution rate, all other aspects of the CTS scheme are consistent across all of the ARP partners. This aids the efficient administration of the schemes across the partnership. This does not however preclude any of the partners amending their scheme independently of the others.

3 The impact of CTS to date

- 3.1 CTS with its associated gap between Council Tax payable and the maximum help working age people can receive has been in operation now for six full years and we are in the seventh year of operation.
- 3.2 The table below shows how the amount of CTS awarded and numbers of customers claiming it have changed since CTS was introduced in 2013:-

CTS cases and amount awarded			
Date	CTS awarded	Working age claims	Pensioner claims
31/3/13 (CTB)	£8.16m	4,682	4,727
31/3/14	£7.89m	4,755	4,667
31/3/15	£7.45m	4,620	4,431
31/3/16	£7.21m	4,450	4,202
31/3/17	£7.02m	4,228	3,998
31/3/18	£6.91m	4,189	3,827
31/3/19	£6.98m	4,227	3,629
Change 2013 to 2019	- £1.18m -14.46%	- 455 -9.72%	- 1,098 -23.23%

- 3.3 The amount of CTS awarded since 2013 has reduced as a result of both the increase in contribution rate to 14% and a significant reduction in claims.

4 Feasibility of changes to CTS for 2020-21 – changing the contribution rate

- 4.1 Any potential impact resulting from changing the contribution rate would be shared between the major preceptors in proportion to their Council Tax requirements in the Collection Fund. The proportions based on 2019/20 Council Tax, is detailed in the table below. This shows that any changes to the contribution rate would generate significantly more savings/more cost to the County Council, as they receives a much higher proportion of Council Tax receipts overall.

How Council Tax allocated is split	
Authority	%
Cambridgeshire County Council	68.61
Cambridgeshire Fire Authority	3.70
Cambridgeshire Police & Crime Commissioner	11.64
Fenland District Council	16.05

(i) Increasing contribution rate from 14% to 20%

- 4.2 Changing the CTS reduction for working age customers from 14% to 20% is forecast to decrease CTS expenditure by £202,014, achieving gross savings to this Council of £32,423 (16.05%) based on current numbers of CTS claimants.
- 4.3 Changing the rate of contribution has also been shown to result in additional arrears and subsequent recovery action. Additional bad debts provision would be required for non-payment and to help maintain expected collection levels, extra resources would be required to undertake recovery work in respect of additional arrears that would accrue from working age customers having payment difficulties as a result of the proposed changes. The net additional cost is estimated to equate to 50% of the additional Council Tax raised:-

Additional Council Tax collectable @ 20%	£202,014
District share - 16.05%	£32,423
Estimated cost of additional recovery/bad debts provision	£16,211

- 4.4 As the Council is responsible for collecting Council Tax and administering CTS but only keeps 16.05% of the income, the potential benefit from increasing the CTS contribution rate from 14% to 20% is reduced by around 50%.
- 4.5 When the Council last considered increasing the contribution rate to 20% in 2016, Members asked Officers to request Cambridgeshire County Council to part-fund the above post's costs. However after considering the severe financial constraints that they were under, with the need to make significant savings, CCC felt that it would not be possible to agree to the funding request.

(ii) Reducing contribution rate from 14% to 8.5%

- 4.6 Changing the CTS reduction for working age customers from 14% to 8.5% is forecast to increase CTS expenditure by £280,717, a gross cost to this Council of £45,055 (16.05%) per annum based on current numbers of CTS claimants.
- 4.7 As increasing the contribution rate is likely to worsen collection rates as detailed above, reducing the contribution rate could result in an improvement in collection rates as well as increasing the ability to recover in year debt by deduction from DWP benefits. Consequently, taking these factors into account, the potential cost to this Council of reducing the CTS rate from 14% to 8.5% could be reduced by up to 50%, ie. £22,527 per annum.
- 4.8 There are also options available to Members to increase the CTS contribution rate to higher amounts, possibly 30% or even 40%. This would result in correspondingly higher amounts of gross Council Tax being received but would also result in higher bad debts provision for non-payment and the possibility of further resources being required to help maintain collection levels.
- 4.9 Previous experience shows that when a significant change in the level of support given takes place, there is a spike in the level of recovery action and also the amount that becomes outstanding. The last changes of this nature was between 2012 (the last year of the old CTB system) and 2013 (the first year of the new CTS system) when the minimum working age customer's Council Tax contribution increased from zero to 8.5% and 2014 when the contribution rate increased from 8.5% to 14%.
- 4.10 The table below compares Fenland's in year Council Tax collection rate with the National average.

	Effects of changing CTS reduction percentages			
	2012-13	2013-14	2014-15	2018-19
All England Authorities- Average In Year Council Tax collection rate	97.4%	97.0%	97.0%	97.0%
Cumulative change in National Average rate since 2012-13		-0.4%	-0.4%	-0.4%
Fenland increase in CTS reduction level		8.5%	5.5%	0.0%
Fenland In Year Council Tax collection rate	98.0%	97.7%	97.3%	96.8%
Annual Change in Fenland collection rate		-0.3%	-0.4%	-0.5%
Cumulative change since 2012-13		-0.3%	-0.7%	-1.2%

- 4.11 It can be seen that there is a reduction in Council Tax collection rates after the reduction in CTS is increased. However the collection rate effects are complicated and could be caused by a variety of other factors such as the impact of the nature of the employment economy with more casual/part-time

working patterns as well as fluctuating monthly Universal Credit awards. The eventual collection rate is currently around 98.8% - 99.0%.

- 4.12 Bearing in mind the previous consultation results from 2016, the financial constraints that prevented CCC from supporting the funding of additional recovery resources, together with data that suggests a further increase in the CTS reduction at Fenland will adversely affect collection performance, Members are asked to consider whether or not they wish to recommend to Cabinet that consultation be carried out on changing the contribution rate and what rate the consultation should be carried out on.

5 Feasibility of changes to CTS for 2020-21 – fluctuating earnings rule

- 5.1 Claims dependent upon Universal Credit (UC) have become increasingly apparent since the Council entered the UC full service during summer 2018, whereby the significant majority of new claims now go through UC and are received by the ARP through the Universal Credit Data Sharing hub (UCDS).
- 5.2 Currently, there are 941 CTS claimants who are in receipt of Universal Credit. 2,422 CTS claimants are in receipt of other passported benefits and yet to migrate to UC and 767 CTS and/or HB claimants are in receipt of tax credits and yet to migrate to UC. Local Authorities will continue to assess rent element for temporary accommodation and supported accommodation customers as well as Discretionary Housing Payments for UC customers.
- 5.3 UC is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HMRC every month. Given customer's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP.
- 5.4 The existing Council Tax Support scheme rules require the Council to revise awards when a customer's Universal Credit changes leading to reassessment of Council Tax Support. In turn this means customers receive a revised Council Tax bill for balance due for the year and have to amend their payment arrangements, typically direct debit instructions. Increasingly, this can be a monthly occurrence for customers.
- 5.5 We have seen an increase in customer contact regarding these notifications because customers are unsure as to what they have to pay due to the requirement to re-profile their Council Tax payments on receipt of UCDS files on a monthly basis. The uncertainty caused toward the customer also has an impact on Council Tax collection, as well as increased administration costs and postage associated with producing additional notification letters.
- 5.6 Within the Anglia Revenues Partnership, Waveney (East Suffolk) has been in the UC Full Service the longest, since May 2016, where we have seen a 72% increase in revised UC awards sent to the Council. Over time we expect this pattern to continue and increase for all the partner Councils, given full service has been rolled out nationally and UC is set to expand. Fenland entered the UC Full Service September 2018.
- 5.7 To ease the burden on the customer, and the Council we recommend a tolerance rule is introduced into the Council's scheme. This would have the effect of freezing a customer's assessment when a revised UCDS notification would otherwise trigger a reassessment. UCDS changes notified above the

tolerance level would be processed as usual, whereas changes within the tolerance level would not be updated, no correspondence issued to the customer, and without amendment to Council Tax repayments.

- 5.8 We have analysed UCDS award notifications for the past three months. The table below shows the level of reduction in reassessments for changes in UC banded in £5 increments, were a tolerance rule to be applied:

weekly earnings tolerance	£5	£10	£15	£20	£25
reduction in reassessments	14%	21%	32%	32%	36%

- 5.9 We recommend a weekly tolerance level of £15 (£65 monthly) to achieve a 32% reduction in revised Council Tax adjustments. We consider a £10, 21% reduction to be less effective, whilst there is little to gain by increasing the tolerance level. Setting the tolerance level at £15 equates to less than two hours employment at national minimum hourly rates.
- 5.10 With such a tolerance rule, UC customers can earn up to an extra £103 per month. An extra £103 per month will reduce UC award by £65 per month with the UC 63% taper (disregard) applied. An extra £15 per week would reduce CTS by £3 per week if we were to effect the change immediately. However, modelling has shown that the tolerance will reduce the number of re-assessments from an average of 9.28 over a year to an average 4.7 per year, with an average overall impact on CTS for the full year of only £3.43.
- 5.11 A relatively small tolerance level will ensure smoothing of customer's fluctuating UC awards and will not disadvantage those customers receiving greater or occasional beneficial changes.
- 5.12 The thresholds and percentage reductions detailed in the table at 5.8 above are an estimation based on experience of applying UC to date. Given all UC customers will be similarly affected by a tolerance rule we do not foresee any equalities issues. The impact is just as likely to be a minimal yearly decrease in CTS or a minimal yearly increase (around £3 p.a.) regardless of any customer group with the resulting reduction in re-assessments applying to all groups equally.
- 5.13 It should be noted where customers circumstances noticeably change, for example when employment ceases, the tolerance rule will not apply, given the change will be greater than £15 per week. In these circumstances the customer's Council Tax Support will be immediately adjusted to provide extra benefit.
- 5.14 It is also recommended that the changes to the Council Tax Support Scheme include discretion to reassess entitlement where a reduction in earnings occurs and it is clear that this level of earnings have and will be likely to continue at a lower level.
- 5.15 An additional safety net for claimants if errors occur is the ability to issue backdated adjustment credit and there is also provision within the scheme to award exceptional hardship. In addition, the proposals within this report include discretion to reassess a case where a customer has had a single reduction in their UC within the proposed £15 tolerance level which has not benefited the customer.

- 5.16 In looking at how a tolerance would apply, a typical case would currently have 12 monthly reassessments and 12 amended Council Tax bills during the year. However, with a tolerance rule a typical customer will only have 4 monthly reassessments and the weekly difference in support would be £0.27p per week.
- 5.17 We are working with our software supplier to introduce additional functionality to enable a tolerance rule, along with automation of these assessments.
- 5.18 Should the Panel approve the recommendation to introduce a tolerance rule, the Council will be required to enter a formal public consultation to amend the scheme for 2020 - 21.
- 5.19 Consultation responses will be reported to the Panel, Cabinet and Full Council as necessary to conclude the review in time for 28th February 2020, or by 11th March 2020 if continuing with the existing scheme.

6 Expected benefits of implementing fluctuating earnings rule

- 6.1 Reduced customer notifications and contact, and stable Council Tax repayment arrangements for customers.
- 6.2 Setting the tolerance at a low level with discretion to review will minimise any implications.

7 Stakeholders / Consultation / Timescales

- 7.1 Consultation will be required if Committee agree to the recommendation. Initial discussions indicate a six to eight week preceptor, stakeholder and web based consultation. ARP will work with the Policy and Communications teams throughout the partnership to organise a consultation.
- 7.2 We would consult all taxpayers, using a survey monkey consultation on the website along with targeted preceptor authorities and stakeholder direct consultation. The consultation would identify whether or not the respondent was in receipt of CTS.
- 7.3 It is anticipated an Equality Impact Assessment is likely to be required.

8 Future Years CTS Review – 2020 for 2021/22 Scheme

- 8.1 The Council Tax Support scheme is complex and includes many areas where potential changes could be made, all of which would have associated savings/cost to this Council and to CTS customers. For example, Peterborough City Council last autumn consulted on a wide range of potential changes to their scheme for 2019/20. At that time their CTS reduction rate was 30% (compared with our 14%). The potential options for changes to Peterborough's CTS scheme that were consulted upon were as follows:
 - (i) The existing 30% reduction that is applied at the end of the benefit calculation is replaced with a 30% liability reduction applied at the start of the calculation;
 - (ii) Alternative options for increasing the above 30% reduction, including: (1) increasing by 1% a year for 3 years; (2) increasing to 35%; (3) increasing to 40%;
 - (iii) Introducing a minimum award level of either £1 or £2 per week;

- (iv) A restriction to support being provided at up to Band C/D equivalent only (higher bands will be limited to the Band C/D level with their parish);
 - (v) An increase to the non-dependent deduction levels;
 - (vi) An assumed minimum earnings level for self-employed claimants;
 - (vii) Removal of second adult rebate;
 - (viii) Removal of extended payments;
 - (ix) Removing the current disregard of Child Benefit and treating it as income;
 - (x) Reducing the capital limit from £16,000 to £6,000 and
 - (xi) Treating Universal Credit claim notifications as claims for Council Tax Support.
- 8.2 Following consultation, of the above Peterborough approved options (i), (x) and (xi). In addition they approved increasing the 30% reduction by 1% a year for 3 years starting in 2019/20.
- 8.3 It is important to understand that the financial impact of changes to Peterborough City Council's CTS scheme is significantly different to this Council. Peterborough as a Unitary Council receives the majority of any savings realised from any changes, around 85%, whereas this Council only benefits from 16% of any changes.
- 8.4 We could, if Members are in agreement, carry out the required detailed modelling on the above options to determine the impact on both this Council and the customer. Due to time constraints in the review of the scheme for 2020/21 and the time required to carry out the necessary modelling, it is proposed that the above options be considered as part of the review of the CTS scheme in 2020 to be implemented in 2021/22.

9 Next steps

- 9.1 This report has given the Panel an update on progress of the annual review of the Council's CTS scheme, with options to change the existing customer contribution rate and to introduce a fluctuating earnings rule.
- 9.2 The recommendations from this Panel will be reported to Cabinet at their meeting on 18 September 2019. If Cabinet approve any changes that require consultation, it is anticipated that this consultation will occur over an eight week period between September and November.
- 9.3 Ideally and subject to the timing of any consultation process and analysis of responses, the Overview and Scrutiny Panel will scrutinise the consultation responses and proposals after the consultation has ended, at their meeting on 2 December 2019. The final proposals would then be recommended to Cabinet and Council at their meetings on 13 December 2019.
- 9.4 If this timescale is not achieved then the Overview and Scrutiny Panel will review the consultation responses and proposals at their meeting on 13 January 2020 with the recommended final proposals being considered by Cabinet and Council at their meetings on 20 February 2020 (within the statutory deadline of 28 February 2020).