


Agenda Item No:	<b>8</b>	
Committee:	<b>Overview and Scrutiny Panel</b>	
Date:	<b>13 July 2020</b>	
Report Title:	<b>Council Tax Support – 2021/22 scheme</b>	

## 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 2020 annual review and the proposals to maintain the current scheme for 2021-22.

### **2 Key issues**

- We are now in the eighth 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.
- For 2020-21 the only change was to introduce a fluctuating earnings rule to the treatment of Universal Credit. A weekly tolerance level of £15 (£65 monthly) was introduced to reduce the administrative burden of reassessing customers CTS every time a revised Universal Credit notification is received.
- 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.
- 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.
- The impact of COVID-19 on working age claims has been significant and is expected to continue to increase throughout 2020. To assist working age CTS claimants, the government announced the £500m COVID-19 Hardship Fund at the Budget on 11 March 2020. This Council's allocation is £907,222. This funding is to provide all recipients of working age local council tax support during the financial year 2020-21 with a further reduction in their annual council tax bill of up to £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal CTS scheme design.
- It is currently estimated that all of this Council's allocation will be used to reduce working age CTS recipient's council tax bill during this year, both current recipients and expected future claimants.
- Given the extent of the impact of COVID-19 and the uncertainty regarding the numbers and cost of the current and future CTS, or whether there will be any additional government support in 2021-22, it is proposed that the option to increase the CTS reduction in 2021-22 from its current level of 14% be re-assessed once further information is known.
- The further modelling of the Council Tax Support scheme originally scheduled for 2020 be deferred until 2021 and be considered for implementation in the 2022-23 scheme.

### 3 Recommendations

The Panel is requested to:

- Review the CTS scheme for 2021-22 as outlined in this report and make recommendations to Cabinet of their preferred options.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	This item is included in the Forward Plan
<b>Portfolio Holder(s)</b>	Cllr Chris Boden, Leader & Portfolio Holder, Finance Cllr Mrs Jan French, Deputy Leader
<b>Report Originator(s)</b>	Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer; Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	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 For 2020-21 the only change was to introduce a fluctuating earnings rule to the treatment of Universal Credit (UC). A weekly tolerance level of £15 (£65 monthly) was introduced to minimise the number of reassessments imposed by monthly changes in a customer's UC payment. This was intended to reduce customer reassessments by a third.

- 1.12 Currently, this is working well as we are seeing reassessments reducing by approximately a third, in line with our modelling predictions. Consequently, we are proposing to continue operating the fluctuating earnings rule within the scheme for 2021-22.
- 1.13 We are now reviewing our CTS scheme for the 2021-22 financial year.

## **2 The 2020 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 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 or any other aspect of the current scheme for 2021-22.
- 2.3 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.
- 2.4 Since 2018 the scheme has been harmonised to DWP welfare reforms introduced for Housing Benefit and CTS for Pensioners, and introduced closer links to Universal Credit data share to claims, most notably removing the default stipulation for customers to make a separate claim to the Council. This has been of particular help to all the new customers impacted by Covid-19 needing to make a Universal Credit claim but not needing to make a further claim to the Council for Council Tax Support.
- 2.5 Since April 2020 we have strengthened our use of DWP Universal Credit data share links to further assist customers.
- 2.6 Both these initiatives continue to work well for customers, with other Councils either now introducing these changes or looking to do so.

## **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 seven full years and we are in the eighth 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
31/3/20	£7.39m	4,244	3,472
Change 2013 to 2020	- £0.77m -9.44%	- 438 -9.35%	- 1,255 -26.55%

- 3.3 The amount of CTS awarded since 2013 to the end of March 2020 has reduced as a result of both the increase in contribution rate to 14% and a significant reduction in claims.

#### **The impact of COVID-19**

- 3.4 Compared with last year, since March 2020, we have seen new working age CTS claims increase by up to 500%, which is now settling at up to a 200% increase.
- 3.5 Figures for the amount of CTS awarded and numbers of customers claiming it at the end of June 2020 compared with March 2020 are detailed in the table below:

CTS cases and amount awarded : March – June 2020			
Date	CTS awarded	Working age claims	Pensioner claims
31/3/20	£7.39m	4,244	3,472
30/6/20	£7.77m	4,702	3,431
Change March to June 2020	+£0.38m +5.14%	+458 +10.79%	- 41 -1.18%

- 3.6 With the Government's Coronavirus Job Retention Scheme ceasing in October 2020 and with employer contributions required from August 2020, there is potential for unquantifiable increases in Universal Credit claims, thereby increasing CTS claims.

- 3.7 Whilst we anticipate caseload will increase, it is too early to predict with any accuracy what the full impact will be for this year and the knock-on effect on next year.

### **Council Tax COVID-19 Hardship Fund 2020-21**

- 3.8 To assist working age CTS claimants, the government announced the £500m COVID-19 Hardship Fund at the Budget on 11 March 2020. This Council's allocation is £907,222 and was paid on 3<sup>rd</sup> April 2020. This funding is to provide all recipients of working age local council tax support during the financial year 2020-21 with a further reduction in their annual council tax bill of up to £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal CTS scheme design.
- 3.9 There is sufficient funding to apply this reduction to existing working age customers but as detailed above, we do not know what the full impact on caseload numbers will be during the remainder of this year. Consequently, there is a risk that applying this reduction to all new working age claims will exhaust the funding available before the end of this year. We are monitoring applications and awards closely to ensure our allocated funding is not exceeded.
- 3.10 Our software supplier is currently completing the necessary changes to the Council Tax system to enable this reduction to be credited to customer's accounts. This is expected to take place this month. Meanwhile, to assist customers, since April we have suppressed the collection of Council Tax direct debits for customers entitled to the full reduction and in lieu of statutory reminders, we have issued soft reminders to all non-payers promoting payment holidays, offering re-profiled payment arrangements along with general advice signposting to wider help. All customers likely to receive the reduction have been written to, keeping them informed of developments and the help on offer.

### **Impact of changes affecting amounts paid by recipients**

- 3.11 Members are reminded of the potential impact resulting from any changes to the scheme which affects the amounts paid by recipients (eg. contribution rate). Any savings/additional cost would be shared between the major preceptors in proportion to their Council Tax requirements in the Collection Fund. The proportions based on 2020/21 Council Tax, is detailed in the table below. This shows that any changes (to the contribution rate for example) 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	68.90
Cambridgeshire Fire Authority	3.65
Cambridgeshire Police & Crime Commissioner	11.79
Fenland District Council	15.66

- 3.12 This contrast's to the financial impact of any changes to Peterborough City Council's CTS scheme (whose current contribution rate is 32%) which is significantly different to this Council. Peterborough as a Unitary Council receives the majority of any savings realised from any changes, around 82%, whereas this Council only benefits from around 16% of any changes.
- 3.13 Increasing the rate of contribution for working age customers also increases the potential for 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. This would significantly reduce the benefits to this Council of increasing the contribution rate, as we are responsible for collecting Council Tax and administering CTS. The net benefit could be reduced by up to 50%.

#### **4 Consultation about our proposals**

- 4.1 If there are no changes proposed to the CTS scheme for 2021-22, there will be no requirement for any customer consultation.
- 4.2 If there are any subsequent proposals to change the scheme for 2021-22 (eg. increasing the contribution rate) then a consultation exercise will be required of up to twelve weeks with preceptors and stakeholders.
- 4.3 Consequently, any consultation exercise would need to meet the statutory timescales for Council to approve its' CTS scheme for 2021-22 as detailed in 1.9 above.

#### **5 Future Years CTS Review – 2021 for 2022/23 Scheme**

- 5.1 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. Last year, it was proposed that several potential options for changes to the CTS scheme be modelled and considered for implementation in the 2021/22 scheme. These include but are not limited to, the following:
- (i) Options for increasing the current contribution rate of 14%;
  - (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.
- 5.2 Due to the impact of COVID-19 resulting in a significant increase in working age customers during 2020/21 and the continued uncertainty around the impact on 2020/21 and into 2021/22, it is proposed that the modelling on the



above options be deferred until next year for consideration of the 2022/23 scheme.

- 5.3 In addition, ARP are intending to embark on a project early next year to initiate a review for the 2022/23 scheme, planning to consider more widely the full year impact of COVID-19 and relevant enhancements to a future CTS scheme.

## **6 Next steps**

- 6.1 This report has given the Panel an update on progress of the annual review of the Council's CTS scheme, with a proposal that no changes to the current scheme be made but with an option to review this once further information is known later this year.
- 6.2 The recommendations from this Panel will be reported to Cabinet at their meeting on 6 August 2020. The final proposals, depending on whether or not a consultation exercise is required would then be recommended to Council at their meeting on 14 December 2020 or potentially 23 February 2021.