

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 December 2019

**Subject:** COUNCIL TAX REDUCTION SCHEME 2020

**All Wards**  
**Portfolio Holder for Finance: Councillor P R Wilkinson**

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of the report is to make recommendations to members and seek approval to:
- a) introduce a new income banded Local Council Tax Reduction Scheme for working age applicants with effect from 1 April 2020 to reduce the administrative burden placed on the council by the introduction of Universal Credit; and
  - b) to replace the existing risk based verification policy with a localised verification working practice.
- 1.2 Each year the Council is required to review its Local Council Tax Reduction Scheme in accordance with the requirements of Schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it. As with the majority of authorities in England, the Council has approved changes to its scheme several times since its introduction in April 2013 to aid administration and reduce complexities.
- 1.3 A Local Council Tax Reduction Scheme was introduced from 1 April 2013 when it replaced the central government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year.
- 1.4 There are a number of issues with the current scheme that need addressing if the system is to continue to provide effective support to low income taxpayers and also if the Council is able to provide the service in an efficient manner. The main issues are as follows:
- the introduction of full-service Universal Credit for working age applicants; and
  - the need for a simplification of the scheme;
- 1.5 The introduction of Universal Credit Full Service within the area, as experienced in other areas, has brought a number of significant challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. The multiple changes in Universal Credit lead to multiple changes in Council Tax Reduction awards, which means customers receive revised bills with revised instalments on a frequent basis which leads to confusion about what they are required to pay and delays any recovery action the Council needs to take to recover outstanding balances. This is expected to increase significantly once the government starts the migration process of customers from legacy benefits to Universal Credit which is expected to be completed in 2023. Additionally staff time is being needed to support this. It is essential that the scheme is changed to meet future requirements, to reduce administration costs and to ultimately prevent any additional costs being added to the Council Tax
- 1.6 The existing complex means tested Local Council Tax Reduction Scheme is too reactive to change and will not be viable in the longer term now that Universal Credit is being rolled out. There is a need to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and significantly reduce the costs of administration.

- 1.7 To assist with the simplified claim process a review of the section's risk based verification policy was undertaken. The introduction of Universal Credit, together with a number of Department for Works and Pensions initiatives, has enabled easier access to necessary claimant information, for verification purposes, without the need to contact the claimant directly. This has highlighted that the Risk Based Verification software is no longer a financially viable solution. In a recent review by the Department for Works and Pensions they stated the Council's service has a 'good handle on its claim base and makes good use of the data available to it'. Therefore it is proposed that a localised verification working practice, at the point of online form submission, replaces the current Risk Based Verification framework.
- 1.8 As this process is conducted at the point of form submission, rather than during assessment (as now), the applicant is informed at the time they submit the application form, whether or not they have to provide detailed evidence and what evidence is required. Claimants and partners will not have to waste time assembling evidence documents that may not be required, while the Local Authority saves the time and cost of processing /indexing unnecessary documents.
- 1.9 Typically, the Evidence Checklist adjusted by the Localised Verification Framework will request less evidence than the full unedited checklist, allowing the service to focus resources on claims that need them most. The net result should be significantly faster with more efficient processing and clearer information for customers.
- 1.10 It is also proposed that an alternative approach be taken with the current Local Council Tax Reduction scheme from 2020/21. The approach has been to fundamentally redesign the scheme to address all the issues within the current scheme. A more transparent scheme would ensure customers receive a more efficient and effective service as it will be easier to understand and administer.
- 1.11 The proposed new scheme replaces the current Local Council Tax Reduction Scheme with an income banded scheme. The basis of the reduction scheme is a calculation based on household income compared to household size up to a maximum of 90% of their Council Tax charge. Therefore the minimum that a resident would need to pay towards their Council Tax would reduce from the current 20% to 10%.

1.12 The table below demonstrates the simplified banded scheme

<b>Band</b>	<b>Maximum award level</b>	<b>Passported</b>	<b>Single (weekly £)</b>	<b>Couple (weekly £)</b>	<b>Family with 1 child (Weekly £)</b>	<b>Family with 2+ children (Weekly £)</b>
1	90%	Income based jobseeker allowance, Income based employment support allowance, Income support	£0.00-£130.00	£0.00-£160.00	£0.00-£200.00	£0.00-£250.00
2	80%	N/A	£130.01-£170.00	£160.01-£210.00	£200.01-£250.00	£250.01-£300.00
3	60%	N/A	£170.01-£210.00	£210.01-£260.00	£250.01-£320.00	£300.01-£350.00
4	30%	N/A	£210.01-£310.00	£260.01-£350.00	£320.01-£420.00	£350.01-£450.00
	0	N/A	Above £310.01	Above £350.01	Above £420.01	Above £450.01

1.13 Other relevant changes to the new Local Council Tax Reduction Scheme are:

- a) the introduction of an income grid scheme to replace the current scheme for all applicants of working age;
- b) to limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two for all applicants in line with the changes made in other welfare benefits;
- c) to remove non dependant deductions from the scheme to make administration easier and protecting low income families where the sons and daughter live at home;
- d) change the claiming process for all applicants who receive Universal Credit automatically treating the data received from the Department of Works and Pensions as a claim for Council Tax Reduction;
- e) removing the current earnings disregards and replacing them with a standard £25 disregard for applicants who are single and £40 for lone parents and couples and carer applicants to encourage work;
- f) removing the extended payment provision;
- g) any change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs (rather than on a weekly basis as at present);
- h) reducing the capital limit to £6,000; and
- i) removing the minimum income floor for self-employed applicants.

1.14 Work has been ongoing since 2018 on a new scheme which is now proposed. Consultation has been undertaken with the public and the precepting authorities as required by legislation. The purpose of the consultation exercise was to establish residents and preceptors views on the following:-

- continuing with the current scheme
- changing to a banded scheme
- alternative options to fund the scheme if changes were not made:
  - reduce funding to other Council services to pay for additional administration costs
  - use the Council's reserves to keep the Council Tax Reduction Scheme

1.15 The consultation received 61 responses. North Yorkshire County Council were the only preceptor to respond to the consultation stating:

*“Administrative ease needs to be considered alongside the quantum of funding that is raised to support the important services provided by all councils whether collection authorities or preceptors.”*

1.16 In the survey the majority of respondents (57%) said the current scheme should be changed and 69% agreed to the introduction of an income grid scheme.

1.17 Responses to alternative options to fund the scheme if changes were not made were:

- Reduce funding to other Council services to pay for additional administration costs  
*In the survey the majority of respondents at 77% said no to this option.*
- Use the Council's reserves to keep the Council Tax Reduction scheme  
*The survey results showed that this was split with 47% responses saying yes and 47% of the responses saying no*

1.18 The responses suggested taking into consideration resident's welfare, particularly households with children and ensuring that residents did not lose out on claiming the support available. Details of the consultation and a summary of the responses can be found at Appendix 1 and 2.

## **2.0 LINK TO COUNCIL PRIORITIES:**

2.1 The funding environment is constantly changing which requires a review of how services are provided. The provision of a Council Tax Reduction Scheme to support financially vulnerable residents is a statutory function. A simplified system for residents will not only reduce the administration costs of the scheme but also link to the Council's priority for providing a special place to live and driving economic vitality.

## **3.0 RISK ASSESSMENT:**

3.1 There is no significant risk implementing the new Council Tax Reduction scheme or the localised verification working practice.

3.2 The key risk is in not approving the recommendations as shown below:-

<b>Risk</b>	<b>Implication</b>	<b>Gross Prob</b>	<b>Gross Imp</b>	<b>Gross Total</b>	<b>Preventative action</b>	<b>Net Prob</b>	<b>Net Imp</b>	<b>Net Total</b>
Increased administration for the Council Tax Reduction Scheme	Increased administration costs due to rise in Universal Credit cases as it rolls out	4	3	12	A simplified scheme as proposed	2	2	4
Potential reduction in collection of Council Tax due to the constant revision of Council Tax Reduction awarded affecting payment arrangements	Loss in Council Tax income	3	4	12	A banding system which would allow for minimal changes in Council Tax awards for applicants making payments arrangements more sustainable	3	3	9

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

3.3 Overall the risk of agreeing with the recommendations outweighs the risks of not agreeing them and is considered acceptable.

## **4.0 FINANCIAL IMPLICATIONS:**

4.1 Since April 2013, funding for a local Council Tax Reduction Scheme has been amalgamated into other central government grants paid to Local Authorities and also within the business rates retention regime.

4.2 The cost of the current Council Tax Reduction Scheme is £3.7 million which is spread across the District Council (6.26%), the County Council (75.03%), Fire (4.08%), and the Police (14.63%) in accordance with the proportion of Council Tax which each organisation levies (shown in brackets).

4.3 The cost of the proposed banded scheme has been estimated based on existing caseload which is constantly changing. The estimated cost at the end of September 2019 was an increase on the current scheme at £42,498 shared through the collection fund.

4.4 The administration of the scheme is costly when compared to other discounts for Council Tax. For example the costs of administering Council Tax Reduction for 3,905 applicants is £3.7m per annum compared with the costs of £5.5m per annum for administering 12,674 single person discounts.

- 4.5 Despite an overall increase in cost of the scheme, since implementing the Council Tax Reduction Schemes in 2013, the amount awarded has fallen year on year. In 2013 payments made were £4.2m compared with £3.7m in 2019 to date. The proportion of Council Tax Reduction to the tax base has reduced from 7.03% in 2013 to an estimated 5.51% for 2020, thus increasing the amount collectable year on year.
- 4.6 Where an individual may suffer exceptional hardship the scheme will include provisions for additional support to be given, much like the current scheme.
- 4.7 It is proposed that income bands would be increased annually in line with the consumer price index.
- 4.8 Cancellation of the current risk based software with the replacement of the new localised framework would be an overall saving of £8,210 per annum.

## **5.0 LEGAL IMPLICATIONS:**

- 5.1 Schedule 1A of the Local Government Finance Act 1992 (as amended) states:  
“For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.”
- 5.2 Section 13A of the same Act gives billing authorities power to reduce the amount of Council Tax payable:
- (1) Where a person is liable to pay Council Tax in respect of any chargeable dwelling and any day, the billing authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit.
  - (2) The power under subsection (1) above includes power to reduce an amount to nil.
  - (3) The power under subsection (1) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.
- 5.3 There are no legal implications in implementing the localised verification working practice.

## **6.0 EQUALITY/DIVERSITY ISSUES**

- 6.1 Equality and diversity issues have been considered. A full Equality Impact Assessment is shown in Appendix 3.

## **7.0 RECOMMENDATIONS:**

- 7.1 That Cabinet approves and recommends to Council that:-
- (a) the new banded Council Tax Reduction Scheme is adopted with effect from 1 April 2020; and
  - (b) the existing risk based verification policy is withdrawn and replaced with a new localised verification working practice.

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**Background papers:** None  
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