

## Report to Cabinet



Date of Meeting	30 <sup>th</sup> July 2019
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Keith Mackenzie
Public/Private Document	Public

### 2020/21 Local Council Tax Support Scheme

#### Executive Summary

1. This report proposes changes to the Council's Local Council Tax Support scheme for 2020/21. The changes are proposed so that the scheme remains fit for purpose for working age residents in receipt of Universal Credit.

The report seeks approval from Cabinet Members to formally consult on a proposal to change the scheme for residents in receipt of Universal Credit.

Non-working age claimants (pensioners) and working age claimants not in receipt of Universal Credit are not affected by the proposal in this report.

#### Recommendation

2. Cabinet is requested to approve the proposal contained in this report and grant permission to the start of a formal consultation exercise to take place between 12 August and 20 October 2019 (10 weeks).

#### Reason for Recommendation

3. A big change introduced by Universal Credit (UC) is that any changes in a claimant's income, however small, will be reported to the Council. Under the 2019/20 Local Council Tax Support (LCTS) scheme this means the Council must reassess their claim every time a change in income is notified. This in turn means a new council tax bill is issued, with a change to the payment plan. Current figures suggest an average of four changes reported per UC claim each year although it could be as many as twelve changes each year for fluctuating monthly incomes.

To make the Council's LCTS scheme easier to understand and to avoid creating a new council tax bill every time a small change in UC income is reported, a new banded income scheme is recommended (details are shown in section 4 below). This would mean that where a change in a resident's UC income fell within the same weekly income band as their previous UC income

was in; no change would be made to their LCTS award. In turn no new LCTS award letters or council tax bills would need to be issued.

<b>Key Points for Consideration</b>
-------------------------------------

4. Officers have explored various financial models for banded income schemes that meet the objectives, whilst remaining cost neutral.

The following model for a banded income scheme is proposed:

For a person entitled to Universal Credit, if their weekly income is below or the same as their applicable amount<sup>(1)</sup>, or £10.00 over, their Local Council Tax Support will be the maximum amount, currently 85% of council tax liability capped at Band A (adjusted as appropriate for non-dependant deductions), as now.

For those whose weekly income is £10.01 or more higher than their applicable amount<sup>(1)</sup>, their Local Council Tax Support will be at the level set in the table below (less any non-dependant deduction), which will vary as the excess income increases.

<sup>(1)</sup> The applicable amount is set annually by Government and takes into account a number of factors, for example, single, couple, lone parent, age, disabilities, etc....

<b>Band of weekly income</b>	<b>Council Tax Support*</b>
Applicable amount (or less) to £10.00	85% of council tax **
£10.01 to £25.00	75% of council tax **
£25.01 to £45.00	60% of council tax **
£45.01 to £65.00	45% of council tax **
£65.01 to £85.00	25% of council tax **
£85.01 to £100.00	10% of council tax **
£100.01+	No Support
* this is the amount before any reduction for non-dependents	
** council tax liability capped at Band A	

Based on the current Universal Credit Local Council Tax Support caseload of 4,610, the impact of this proposal would be as follows;

No change	3,177 (69%)
Increased awards	1,103 (24%)
Reduced awards*	330 (7%)
* lose less than £1 per week	93
* lose between £1 and £5 per week	237

To facilitate the transition to the banded income scheme it is proposed that a hardship fund payment is made available to all claimants (currently 330) who would receive a reduced award. This is currently forecast to cost £32,979.96.

#### 4.1 **Alternatives Considered**

The current Local Council Tax Support scheme could continue unchanged for 2020/21. As outlined above, this would create confusion and uncertainty for Universal Credit customers. The number of customers affected is currently 4,610, but this will increase to around 6,000 by April 2020 and further increase during the 2020/21 and later financial years. Every change in income, however small, would result in a new council tax bill being issued with an amended payment plan. The average number of changes per year is currently four, but some customers will have as many as twelve changes in a year.

#### **Costs and Budget Summary**

5. A significant amount of modelling has been undertaken based on the current Local Council Tax Support caseload. The change being proposed in this report is expected to be cost neutral. This includes the proposed hardship fund payment.

#### **Risk and Policy Implications**

6. There is a risk the proposed scheme may be subject to legal challenge on the basis of The Equality Act 2010 if the proposed changes adversely impact upon service users with protected characteristics. To mitigate this, a consultation exercise will be carried out and an equality impact assessment will be undertaken. The outcome of consultation and the equality impact assessment will be reported to Council Members during the decision making process.

There are also some known risks;

There is a continued risk of increased demand resulting from higher take up, or increased numbers needing assistance or existing claimants' income reducing that are the financial responsibility of the Council.

There is an increased risk due to the migration to Universal Credit. This is a risk where the future demands and impact cannot be determined with any certainty so will be subject to ongoing review in developing and adapting the scheme within budget constraints.

#### **Consultation**

7. The Council has a duty to consult if it proposes to change its Local Council Tax Support scheme. Government's recommendation is a minimum consultation period of 8 weeks, up to a maximum of 12 weeks. The consultation must include the precepting authorities in Greater Manchester (the Mayor's Office, Fire and Police), as they have a financial interest.

It is proposed the consultation will take place between 12 August and 20 October 2019 (10 weeks).

The results and appraisal of the consultation responses along with the final

proposals will be bought back for comment by Corporate Overview and Scrutiny Committee on 26 November 2019 and for approval by Cabinet on 3 December 2019.

<b>Background Papers</b>	<b>Place of Inspection</b>
8. None	
<b>For Further Information Contact:</b>	Keith Mackenzie Tel: 01706 926003, keith.mackenzie@rochdale.gov.uk