

Report to Cabinet



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| Date of Meeting | 2 nd December 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.

Recommendation

- 2.1 Cabinet is requested to note and approve the following recommendations to form the basis of the report to Council on 18 December 2019:
- 2.2 To note the findings of the consultation process for the review of the Local Council Tax Support Scheme for 2020/21.
- 2.3 To agree to introduce a banded income scheme for 2020/21 for working age residents in receipt of Universal Credit in line with Sections 4.1, 4.2 & 4.3, following the outcome of the consultation exercise as detailed in Section 7.
- 2.4 To note that this report was submitted to Corporate Overview & Scrutiny Committee on the 26 November 2019 for consideration and comment.
- 2.5 To note that the Local Council Tax Support Scheme for 2020/21 will be submitted to Council on 11 December 2019 for approval in accordance with Section 67 of the Local Government Finance Act 1992 as amended.

Reason for Recommendation

3. Schedule 1A of the Local Government Finance Act 1992 as amended requires local authorities to consider whether to revise or to replace its Local Council Tax Support Scheme each year. Any revisions or a replacement scheme must have been considered and agreed for operation from 1 April 2020.

Key Points for Consideration

- 4.1 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 4.2 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.

- 4.2 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(1), or up to £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(1), 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.

(1) 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....

| Band of weekly income | Council Tax Support* |
|--|-----------------------|
| Applicable amount (or less) + up 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 5,629, the impact of this proposal would be as follows;

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|-----------------------------------|-------------|
| No change | 3,999 (71%) |
| Increased awards | 1,355 (24%) |
| Reduced awards* | 275 (5%) |
| * lose less than £1 per week | 35 |
| * lose between £1 and £5 per week | 240 |

To facilitate the transition to the banded income scheme it is proposed that a hardship fund payment is made available to all claimants (currently 275) who would receive a reduced award. This is currently forecast to cost £32,285.76 for the financial year.

4.3 On 30 July 2019, Cabinet agreed to consult on proposed changes to the Local Council Tax Support Scheme (LCTS) which would take effect from 1 April 2020. The proposals which formed the basis of the consultation were:

1. Leaving the scheme the same in 2020/21 as currently operates.
2. Changing to a banded income scheme for working age residents in receipt of Universal Credit.
3. If the banded income scheme is approved, no longer issuing LCTS award letters or council tax bills if there is no change in the level of award.

Alternatives Considered

4.4

The current Local Council Tax Support scheme could continue unchanged for 2020/21. As outlined above, this would create confusion and uncertainty for the growing number of Universal Credit customers.

The number of customers affected is currently 5,629, but this will increase to around 7,000 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.

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| Costs and Budget Summary |
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- 5.1 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.
- 5.2 To implement this change, the Council will be required to purchase an additional module from our software supplier. This is estimated to cost in the region of £30,000. This has been factored into the 2019/20 service budget and no additional funding is required.

Risk and Policy Implications

- 6.1 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 been carried out and an equality impact assessment has been undertaken. The outcome of consultation and the equality impact assessment is enclosed at Appendix B with this report.
- 6.2 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.

These are risks 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.

- 6.3 Compliance with Schedule 1A (4) of the Local Government Finance Act 1992 as amended must be complied with. If any revision to a scheme has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.

Use of the hardship payment fund will mitigate this risk.

Consultation

7. The Local Government Finance Act 2012 requires Councils to consult should proposals to amend the Scheme are to be considered. The recommended consultation period should be a minimum of 8 weeks and a maximum of 12 weeks. The following is required:
- consult with precept authorities
 - publish a draft scheme in such manner as it thinks fit
 - consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The consultation took place over a ten week period from 12 August 2019 to 20 October 2019.

Over the consultation period we have set out to engage with both those who are directly affected by the proposals but also the wider community, as follows:

- A copy of the consultation report has been sent to the Chief Finance Officer of the Greater Manchester Combined Authority seeking their views on the proposals.

- All Council Members were provided with details of the proposals and consultation process in advance of it starting.
- The Council's consultation hub provided a detailed outline of the proposals on an on-line questionnaire.
- During the consultation period there have been press releases and social media feeds to maintain general awareness of the consultation and to encourage people to take part.
- The Council's website including links to the consultation hub on all relevant pages.
- All correspondence sent out by the Revenues & Benefits team during the consultation period has sign posted residents to the consultation hub on the Council's website.

A total of 58 consultation responses have been received. The tables below summarise the responses which indicate overwhelming support for the Scheme to be amended.

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|---|----|-------|
| 1. Do you agree or disagree that we should move to a banded Local Council Tax Support Scheme? | | |
| Strongly agree or agree | 45 | 77.6% |
| Neither agree or disagree or don't know | 3 | 5.2% |
| Disagree or strongly disagree | 10 | 17.2% |

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| 2. Do you agree that we have worked out the bands correctly? | | |
| Yes | 40 | 69.0% |
| No | 7 | 12.1% |
| Don't know | 11 | 18.9% |

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| 3. If we have a banded scheme for Local Council Tax Support we don't want to send you letters unless you move band and the amount of council tax you have to pay changes. Do you agree or disagree? | | |
| Strongly agree or agree | 48 | 82.8% |
| Neither agree or disagree or don't know | 4 | 6.9% |
| Disagree or strongly disagree | 6 | 10.3% |

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| 4. We want to make available our Discretionary Council Tax Hardship Scheme to help households who will lose from the change and are struggling to pay their council tax. Do you agree or disagree? | | |
| Strongly agree or agree | 41 | 70.7% |
| Neither agree or disagree or don't know | 15 | 25.9% |
| Disagree or strongly disagree | 2 | 3.4% |

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| 5. Do you or your household currently get Local Council Tax Support? | | |
| Yes | 29 | 50.0% |
| No | 29 | 50.0% |

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| 6. Do you or your household currently receive Universal Credit? | | |
| Yes | 20 | 34.5% |
| No | 37 | 63.8% |
| Don't know | 1 | 1.7% |

18 of those that responded provided additional comments. Council Members have been provided with a full schedule of all the comments received in Appendix A.

| Background Papers | Place of Inspection |
|---|---|
| 8 Cabinet report of 30 July 2019 . | http://democracy.rochdale.gov.uk/documents/s67437/202021%20Local%20Council%20Tax%20Support%20Scheme.pdf |
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