

HIGH PEAK BOROUGH COUNCIL

Report to Corporate Select Committee

27th September 2021

TITLE:	Local Council Tax Reduction Scheme Review & Focus on Universal Credit Implications
PORTFOLIO HOLDER	Cllr Alan Barrow - Executive Councillor for Corporate Services and Finance
CONTACT OFFICERS:	John Betts – Interim Executive Director Joanne Wheeldon – Head of Revenues & Benefits
WARDS INVOLVED:	Non-Specific

1. Reason for the Report

- 1.1 The Council is obliged to consider each year whether to revise its current council tax reduction scheme, leave it as it is or replace it with a completely new scheme. The proposal is to retain the current scheme for 2022/23. However, the introduction of Universal Credit means that the current scheme is proving increasingly difficult to administer and more difficult for recipients of the discount to understand and manage. Therefore, there is also a proposal to explore options for redesigning the scheme to provide greater certainty in the light of Universal Credit. Any decisions on design and subsequent implementation would occur by 2023/24 at the earliest, to allow for extensive consultation.

2. Recommendations

- 2.1 That the Committee recommends that Executive:
- Approves the proposal to retain the existing council tax reduction scheme for 2022/23
 - Approves the proposal for further research to be undertaken into alternative designs for a council tax reduction scheme that better deals with the impact of Universal Credit, subject to a further report and consultation

3. Executive Summary

- 3.1 In April 2013 Council Tax Benefit was abolished and replaced with a local Council Tax Reduction Scheme (CTRS). The Local Authority is required to review its Council Tax Reduction Scheme on an annual basis and if it

determines to make changes, then it must consult on any proposed revised scheme.

- 3.2 The local CTRS, as currently designed, works well. There have been no particular difficulties in implementation and eligibility is well defined and published on the Council's website¹, so potential recipients are clear about eligibility and how to apply. So, the proposal is to continue using the current scheme for 2022/23.
- 3.3 However, there is a need to review whether, in the longer term, the current CTRS scheme is compatible with Universal Credit. Nationally, around 60% of working-age benefit recipients in England now claim UC rather than any one of the six 'legacy' benefits that UC replaced. Universal Credit is based on "real time information" which means it often fluctuates, generating changes in CTRS eligibility. As of 1st July 2021 the total award of benefit for High Peak was £6.161m. The caseload consisted of 6,111 cases, of which 3,951 were of working age (2,053 on UC), which accounts for 60% of total spend. From the beginning of June to mid August over 5,787 Universal Credit changes were processed locally.
- 3.4 So many frequent changes to CTR eligibility, as a result of Universal Credit fluctuations, makes household budgeting difficult and generates a considerable administrative burden. In response to this, over 70 Local Authorities have introduced income banded CTR schemes. Under such schemes, small changes in income (from benefits, earnings or other) do not usually change the amount of CTR received. This creates greater certainty and makes household budgeting easier. It also reduces the administrative burden on the Council. Therefore, the proposal is to research the possibility of designing an Income Banded Council Tax Reduction Scheme and then, if appropriate, designing some local options. Any proposed designs will be put before Elected Members for comment prior to consultation, which will need to be extensive, given the potential impact on households. Hence, any implementation would be 1st April 2023, at the earliest.

4. How this Report Links to Corporate Priorities

- 4.1 Any change to eligibility and simplification of processes will make it easier for residents to access this service (to support residents eligible for council tax discount), improve financial resilience and improve the efficiency of service delivery.

5. Options and Analysis

- 5.1 The options available (including doing nothing) are analysed in the summary above.

¹ https://www.highpeak.gov.uk/discounts_exemptions

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

None.

6.2 Workforce

None.

6.3 Equality and Diversity/Equality Impact Assessment

No Equality Impact Assessment (EIA) is required at this point in time, but if an alternative scheme is designed for consultation then a comprehensive EIA will be required, alongside broad consultation.

6.4 Financial Considerations

The proposal to not change the scheme for 2022/23 has no direct financial implications and any newly designed scheme put forward for consultation will reflect the parameters of the current financial budget.

6.5 Legal

Section 13A of the Local Government Finance Act 1992 requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable. Under schedule 1A (3) of the Local Government Finance Act 1992, each financial year, the Council needs to consider whether to revise the scheme, leave as is or replace it. Consultation must occur on any options required to change the scheme prior to implementation.

6.6 Sustainability

None.

6.7 External Consultation

See comment at 6.3 above.

6.8 Risk Assessment

There are no immediate risks, but if a new scheme is designed for consultation then a risk assessment and risk register will be created as part of the project management of the consultation process (and any subsequent implementation, should any new design go ahead).

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Web Links and Background Papers

Location

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Detail of Current Council Tax Reduction Scheme and a Proposal for a Review

7. Background

- 7.1. From April 2013 Council Tax Benefit was abolished and replaced with a local Council Tax Reduction Scheme. The Local Authority is required to review its Council Tax Reduction Scheme on an annual basis and if it determines to make changes then it must consult on the revised scheme.
- 7.2. There is no proposal to change the Authority's Council Tax Reduction Scheme for 2022/23.
- 7.3. However, there is proposal to explore and possibly redesign the Council's current scheme in response to the introduction of Universal Credit, with a potential implementation date of 1st April 2023. The reason for the long lead-in time is to ensure that any change is well designed and that there is comprehensive consultation. The rationale for this review is given below.

8. Impact of Universal Credit

- 8.1. Since the introduction of a local Council Tax Reduction Scheme (CTRS) the landscape has drastically changed. Universal Credit (UC) has also been introduced and is now operational in every local authority area in England. Around 60% of working-age benefit recipients in England now claim UC rather than any one of the six 'legacy' benefits that UC replaced. Universal Credit is based on real time information which means that any change in income generates a change in Council Tax Reduction through data files from the Department of Work & Pensions (DWP).
- 8.2. This means that local citizens are experiencing frequent changes in their Council Tax Reduction allocation, which in turn impacts on the amount of Council Tax payable. This results in residents receiving multiple bills and letters, making household budgeting very difficult. It has led to a considerable increase in the number of contacts, particularly when Council Tax bills are issued and there is an additional administrative and legal burden in then collecting and recovering substantial numbers of small amounts.
- 8.3. As of 1st July 2021 the total award of benefit for HPBC was £6,161,294. The caseload consists of 6,111 cases, of which 3,951 are working age (2,053 on UC), which accounts for 60% of total spend. From the beginning of June to mid August we have processed 5,787 UC changes.

9. Income Banded Council Tax Reduction Schemes

- 9.1. This is one reason why some local authorities have introduced income banded CTR schemes². Under such schemes, small changes in income (from benefits, earnings or other) do not usually change the amount of CTR received. This creates greater certainty and makes household budgeting easier. It also reduces the administrative burden on the Council.
- 9.2. The potential move to a new income banded scheme is for those of working age. The scheme for pensioners is set nationally and pensioners would not see any change to the support they receive.
- 9.3. Generally, the scheme could be designed along the following design principles, although it must be emphasised that this is not intended to pre-empt any review:
- a. If the applicant or partner is in receipt of one of the main passported benefits (Income Support, Job Seeker's Allowance Income Based and Income Related Employment and Support Allowance etc) they will be placed in the highest band of the scheme - generally this would be expected to be 100% support.
 - b. Working age households will receive a discount, depending on their level of income and the band that they fall into. For example (and this is purely illustrative) the bandings could be organised as follows:

Net income, above a given threshold	Maximum CTR award
£0 - £4.99	Up to 100%
£5 - £14.99	A%
£15.00 - £29.99	B%
£30.00 - £49.99	C%
£50.00 - £74.99	D%
£75.00 - £99.99	E%
£100.00 - £124.99	F%
£125 upwards	0%

- c. The level of CTR does not change with fluctuations within income bands. It only changes if net household income moves between bands.
- d. Under any such scheme such as this, there would be the option of disregarding certain benefits and allowances (such as Disability Living

² The *New Policy Institute* reported, in June 2021, that there were 72 income-banded schemes in place across the country.

Allowance, War Disablement Benefits, Child Benefit and child maintenance etc) so as to protect the most vulnerable. There would be also an option to introduce a Hardship Fund for those most detrimentally affected by any changes.

- 9.4 It should be emphasised that savings are not the driver for this change. Any such scheme can be designed within the current financial envelope. The primary driver is to simplify the process and provide greater certainty for households. There is a secondary driver not to increase administrative costs to the Council from greater changes to existing CTR through UC fluctuations.

10. Next Steps

- 10.1. The proposal is to seek Member approval to research the possibility of designing an Income Banded Council Tax Reduction Scheme, by contacting Local Authorities who have introduced (or are considering introducing) such schemes and then modelling options locally.
- 10.2. Any proposed designs will be put before Elected Members for comment prior to consultation, which will need to be extensive, given the potential impact on households.
- 10.3. Any implementation (should Members agree a new design following consultation) would be implemented for April 2023 at the earliest
- 10.4. There are no proposals to change the current local council tax reduction scheme for the financial year 2022/23.