

## ASSEMBLY

30 January 2019

<b>Title:</b> Council Tax Support Scheme 2019/20	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Helen Seechurn, Finance Director	
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary</b> <p>The Council has a statutory duty to consider annually whether to revise its Local Council Tax Support Scheme (CTS) or replace it with another scheme. This report recommends keeping the current scheme for use in 2019/20, subject to minor amendments. The Assembly has a legal duty to approve the CTS by Assembly by 31<sup>st</sup> January 2019.</p> <p>The Cabinet is to consider this report at its meeting on 22 January 2019 (the date of publication of this Assembly agenda). Any issues arising from the Cabinet meeting will be reported at the Assembly meeting.</p>	
<b>Recommendation(s)</b> <p>The Assembly is recommended to:</p> <p>(i) Agree that the Council Tax Support (CTS) Reduction Scheme implemented for 2018/19 be retained for 2019/20, subject to the following minor amendments:</p> <ul style="list-style-type: none"><li>• Treat Universal Credit Award Notifications as an Intention to Claim CTS providing that a valid claim form for CTS is made within a month of the decision to award Universal Credit.</li><li>• Adopt a shortened claim form for the purposes of claiming CTS when Universal Credit has been awarded.</li><li>• Accept Universal Credit as a “passported” benefit when claiming within a month of a new liability for CTS purposes.</li><li>• Amend the capital threshold for CTS purposes to £10,000 for working age persons to align it with Pension Age capital limits.</li><li>• Re-introduce backdate on CTS of up to four weeks, subject to good cause to align it with the Housing Benefit scheme.</li></ul>	

**Reason**

The Council's CTS scheme requires minor changes so the general administration of the scheme is simplified and compatible with all welfare reforms including Universal Credit. For effective processing the scheme should align with the administration of Housing Benefit and principles of passported benefits. It is further proposed that the Council continues with the core scheme, subject to the above amendments, it implemented last year.

**1 Introduction and Background**

- 1.1. The Welfare Reform Act in 2012 abolished Council Tax Benefit (CTB) from April 2013 and, in its place, support took the form of a local Council Tax Support Scheme (CTS). The Local Government Finance Act 2012 contains provisions for the setting up of local support schemes. The current scheme in Barking & Dagenham has been based around the Default Council Tax Reduction Scheme and has been ratified by Assembly.
- 1.2. The current scheme in operation ensures that;
  - The scheme is means tested
  - Pensioners are protected, i.e. they must be able to receive up to a 100% reduction (a provision of the national pension age scheme).
  - Everyone of working age contributes something towards their Council Tax. A "minimum payment" of 25%. There is a 75% maximum on which any entitlement to CTS is based.
  - Those who are not pensioners and with capital in excess of £6,000 are not eligible for a Council Tax reduction under this scheme.

**2. Proposals and Issues**

- 2.1. The proposed minor revisions to the current scheme do not affect the core elements of the scheme and only seek to make it easier to understand and administer and ensure it is compliant with the wider welfare system, principally the roll out of Universal Credit.
- 2.2. The proposed revisions are;
  - Treat Universal Credit Award Notifications as an Intention to Claim CTS providing that a valid claim form for CTS is made within a month of the decision to award Universal Credit.
  - Adopt a shortened claim form for the purposes of claiming CTS when Universal Credit has been awarded.
  - Accept Universal Credit as a "passported" Benefit when claiming within a month of a new liability for Council Tax Support purposes.
  - Amend the capital threshold for Council Tax Support purposes to £10,000 for working age persons to align it with Pension Age capital limits.
  - Re-Introduce backdate on Council Tax Support of up to four weeks, subject to good cause to align it with the Housing Benefit scheme.
- 2.3. The adoption of these changes will simplify the administration of the scheme by bringing it more in line with how the Council currently administers Housing Benefit. It

also addresses the technical issues the Council have faced with applying some of the rules that currently apply to the current scheme.

- 2.4. Universal Credit, for the purposes of amending Housing Benefits and transitional Protection, is considered a passported benefit however for the purposes of claiming CTS it is considered a standard income. Passported Benefit is a term used under the old benefit system and means that if you claim you are entitled to either the maximum payable benefit and you have a longer period in which to claim in. For the CTS Scheme we are only considering it as a passported benefit for the period of time in which you can claim and not the maximum benefit entitled. By treating Universal Credit as a passported benefit for the purposes of a new liability and period in which you can claim allows the CTS to be awarded in accordance to passported benefits under the Housing Benefit scheme. Namely that if a claim is made within a calendar month of the new liability CTS can be awarded from the start of the new liability which maximises the Council Tax Support awarded and ensures a resident, who will be on a low income, receives the maximum support available and reduces debt. The award the person receives, from the date it is payable from, will be based against their income under Universal credit
- 2.5. By adopting a shorter claim for CTS when Universal Credit is in payment you simplify the process for residents who have already completed one lengthy application form. The information required to process a claim for CTS, when Universal Credit is in payment, is reduced as only household member details are required, income for the applicant is covered by the Universal Credit award notice, as is their Identity verification.
- 2.6. Universal Credit, for the purposes of amending Housing Benefits and transitional Protection, is considered a passported benefit however for the purposes of claiming CTS it is considered a standard income. By treating Universal Credit as a passported benefit for the purposes of a new liability allows the CTS to be awarded in accordance to passported benefits under the Housing Benefit scheme. Namely that if a claim is made within a calendar month of the new liability CTS can be awarded from the start of the new liability which maximises the Council Tax Support awarded and ensures a resident, who will be on a low income, receives the maximum support available and reduces debt.

Passported Benefits are Income Related Employment Support Allowance, Income Related Job Seekers Allowance, Guaranteed Credit and Income Support.

- 2.7. Under the current scheme any persons of working age with capital over £6,000 are not entitled to Council Tax Support, it is proposed that this is extended to £10,000 to align it with the rules for persons of Pension Age for the simplification of administration.
- 2.8. As Council Tax Support is now claimed as a separate benefit, residents used to traditional and former schemes, are not aware of the requirement and need to claim Council Tax Support with a separate team and form. This often leads to a loss of entitlement and outstanding debts which result in requests for backdated Council Tax Support which doesn't currently exist in the scheme for LBBB. Whilst the scheme doesn't allow for a backdated awarded of benefit, all requests made must be addressed formerly and responded to utilising administration time. It is further proposed that backdate is re-introduced into the CTS scheme for the simplification

and alignment of its administration to match the rules applicable for Housing Benefit but also to ensure income maximisation.

### **3. Financial Implications**

Implications completed by: Katherine Heffernan, Group Manager (Corporate Finance)

- 3.1 This report proposes a number of amendments to the Council Tax Support scheme in the light of the implementation of Universal Credit. Some of these amendments are administrative in nature and have no direct financial implications. Others however have the potential to increase the number of eligible recipients of council tax support or the duration of their claim and so will have a cost implication as described below.
- 3.2 When considering these cost implications, it must be remembered that households on very low incomes on or near the thresholds for Council Tax Support are likely to struggle to pay their Council Tax and so the true cost to the Council taking into account collection rates, arrears and bad debt is likely to be much lower.
- 3.3 The adoption of a shortened claim form is an administrative matter and has no direct financial implication. It reduces the burden on the customer but does not reduce processing time for staff as they will need to source the same information from elsewhere.
- 3.4 It is not possible to model the impact of treating Universal Credit Award notifications directly. However, accepting Universal Credit as a passported benefit when claiming within a month of new liability is estimated to affect around 248 claims (based on current caseload data) giving them up to one month's additional Council Tax Support. The cost of this is estimated to be up to £12k. This is not a new cost as this amendment mirrors the arrangements for the legacy benefits and so will be already covered within the cost of the scheme.
- 3.5 Reintroducing backdating of up to four weeks could affect around 56 people (based on current caseload data) and is estimated to cost up to £4k. In addition, this group of claimants and those affected by the passporting issue are a low-income group and it is very possible that Council Tax would not in fact be fully collectable if Council Tax Support was not payable during the month.
- 3.6 The proposal to raise the Capital Threshold from £6,000 to £10,000 in line with the threshold for pension age claimants would result in a new cost. It is estimated this could affect around 80 customers (based on current caseload data) at a potential cost of £70k. These customers are more likely to be able to pay Council Tax, so this is a real cost to the Council which should be weighed against the benefits of simplified administration and supporting residents to improve their financial circumstances.
- 3.7 The theoretical cost of all these proposals would be up to £90k. However, this should be seen in the context of the overall amount of Council Tax which is £58m in 2018/19. The Council Tax Support scheme is £12.8m in total.

- 3.8 All working age claimants remain responsible for meeting 25% or more of their own council tax liability and the scheme is highly targeted on the least able to pay. As Council tax charges rise, there is a risk that collection rates will fall. The overall collection rate in 2017/18 was 95.8%
- 3.9 The Council must set aside a discretionary fund for circumstances of exceptional hardship. It is anticipated that a discretionary fund of £50,000 can be created to assist those with exceptional circumstances. This would be monitored and reviewed quarterly, although case law does suggest that if exceptional hardship is shown the Council must grant a discretionary reduction and cannot refuse due to a “depleted budget”. It is therefore vital that a clear policy is implemented so the Council can set their own criteria of whom would qualify for a discretionary reduction. The cost of the discretionary fund will reduce the overall Council Tax collected by £50,000.

#### **4. Legal Implications**

*Implications completed by Dr Paul Feild, Senior Governance Lawyer*

- 4.1 The CTS is a continuation of the scheme as approved by the Assembly last year following consultations as required by the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012.
- 4.2 As observed in the report the discretionary hardship fund while set at £50,000 shall be administered according to the exceptional hardship policy and the cap is not a reason for refusal.

#### **5. Other Implications**

- 5.1 **Risk Management** - It is considered likely that keeping the current scheme will continue to make it difficult to collect Council Tax from those entitled to a reduction under the scheme. Presently there are 75,266 properties with a Council Tax Charge in this borough, as of 30<sup>th</sup> June 2018, and 16,651 Council Tax Support claims against these properties.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None