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| Report to: | EXECUTIVE |
| Relevant Officer: | Steve Thompson, Director of Resources |
| Relevant Cabinet Member: | Councillor Neal Brookes, Cabinet Member for Housing and Welfare Reform |
| Date of Meeting: | 20 January 2020 |

COUNCIL TAX REDUCTION SCHEME 2020/21

1.0 Purpose of the report:

- 1.1 To provide an update on the impact of the Council Tax Reduction Scheme since its introduction in 2013/14 and to seek approval for the proposals for the Council Tax Reduction Scheme for 2020/21.

2.0 Recommendations:

- 2.1 To note the impact of the Scheme to date as set out in paragraphs 5.7 and 5.8.
- 2.2 To recommend Council to agree the Council Tax Reduction Scheme 2020/21 as set out in Appendix 2c.
- 2.3 To recommend to Council that the reduction applied to working age claimants remains the same as the 2019/20 Scheme agreed by Council on 30 January 2019 and that the main elements and method of calculating awards will be the same.
- 2.4 To recommend that the Council agrees to continue to operate a Discretionary Discount Policy to be awarded in cases of exceptional hardship as set out at Appendix 2a.
- 2.5 To note at this point in time the Ministry of Housing, Communities and Local Government may still issue changes to the known position for the National Pensioner Scheme. Required changes would be incorporated into the final Scheme presented for adoption at Council on 12 February 2020.

3.0 Reasons for recommendation(s):

- 3.1 To ensure a Local Council Tax Reduction Scheme is approved by 11 March 2020 and in place by 1 April 2020 avoiding the financial risks associated with the Government imposed default Scheme.

- 3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None, a Council Tax Reduction Scheme must be approved by the Council each year.

4.0 Council Priority:

4.1 The relevant Council Priority is: "Communities: Creating stronger communities and increasing resilience".

5.0 Background Information

5.1 The Welfare Reform Act 2012 abolished Council Tax Benefit (CTB); billing authorities were required to adopt a local Council Tax Reduction Scheme (CTRS) to take effect from 1 April 2013.

5.2 The Government grant for Council Tax Reduction Scheme was less than 90% of the Government forecast funding levels had Council Tax Benefit continued. This was expected to leave a shortfall in funding of £3.22m based on estimates of demand and assumptions regarding the basis of calculation for the central Government grant. The ongoing level of Government support meant the Council adopted a self-funding Scheme under which all working-age claimants had to pay at least 27.11% of their Council Tax in 2013/14. This has remained the case in subsequent years until the 2017/18 Scheme when it was agreed that additional support was provided to vulnerable groups and they had to pay 13.56%. These vulnerable groups are defined as:

- where someone in the household receives Disability Living Allowance or Personal Independence Payments
- where the applicant is a lone parent and who is responsible and resides with a child under 5 years old
- where the applicant or their partner receives Carer's Allowance
- where the applicant or their partner is in receipt of a war pension, war widows pension, war disablement pension or equivalent.

5.3 For the 2018/19 Scheme the 13.56% reduction was extended to the following low income groups:

- applicants or partners receiving Income Support, or Income-Based Jobseekers Allowance, or Income-Related Employment Support Allowance.

5.4 For the 2019/20 Scheme, the 13.56% reduction was extended to the following groups:

- Ensure that applicants who are protected under the current Scheme continue to be protected to the same level of support when they move to Universal Credit
- Extension of the group of customers who pay 13.56% to claimants or partners who are:
 - in receipt of Jobseeker’s Allowance Contribution Based
 - in receipt of Main Phase Employment and Support Allowance and are in the Work Related Activity Group
 - in receipt of Maximum Universal Credit and is neither employed, self-employed or in receipt of any other income which is taken into account when calculating their Universal Credit award (such as an Occupational Pension or other unearned income)
 - in receipt of Universal Credit which includes either the limited capability for work and/or work related activity

5.5 The initial 2013/14 funding was separately identifiable, but since then the monies have formed part of the overall total Revenue Support Grant (RSG). Analysis of the RSG would suggest that the initial £17.58m allocated for the Scheme would equate to approximately £5.1m in 2019/20 and 2020/21 due to the continued year-on-year reductions. This means that in order for the scheme to be self-funding now, the bottom-slice would need to be 113.6% for 2019/20 and 112.6% for 2020/21 (based on current Council Tax figures).

5.6 The Council Tax Reduction Scheme caseload has decreased since the introduction of the Scheme in 2013/14 as shown below:

| | Working Age | Elderly | Total |
|--------------------|--------------------|----------------|---------------|
| 2013/14 | 14,504 | 8,815 | 23,319 |
| 2014/15 | 13,781 | 8,407 | 22,188 |
| 2015/16 | 13,619 | 7,986 | 21,605 |
| 2016/17 | 13,385 | 7,589 | 20,974 |
| 2017/18 | 13,050 | 7,267 | 20,317 |
| 2018/19 | 12,930 | 6,901 | 19,831 |
| 2019/20 (Oct 2019) | 12,982 | 6,768 | 19,750 |

The change in caseload demographics is attributed to a number of factors. The Government’s increase in State Pension Age has meant that it is longer before a customer will be classed as “elderly” and there is traditionally a lower take-up of benefits by this age group and they are viewed as a group with a higher level of assets.

- 5.7 The Council Tax Reduction Scheme has had a very significant impact on in-year Council Tax collection rates. In the last year of Council Tax Benefit, 2012/13, in-year collection rate was 95.5%. Since the Council Tax Reduction Scheme was introduced and 10,000 low income working-age households became liable to pay Council Tax, in-year collection has dropped each year. In 2018/19 collection was 92% with a 69.77% collection rate for Council Tax Reduction Scheme cases.
- 5.8 Collection is at a similar level so far in 2019/20, but a drop in ultimate collection and an increase in arrears is still anticipated. This increase in arrears has meant the Council's share of the bad debt provision for Council Tax Arrears (including CTRS) has increased annually since the introduction of the Scheme and was £6.1m at 31 March 2019.
- 5.9 Court action can be taken against defaulting Council Tax payers. However, the numbers are limited at any hearing by restrictions placed by the court. Following the issue of a liability order at court an attachment of benefits can be requested. The amount that can be attached from benefits is restricted by legislation, currently £3.70 for most benefits except Universal Credit. This means that it is not usually possible to collect the Council Tax amount payable within the year it becomes due, which impacts on in-year collection rates. The attachment is administered by the Department for Work and Pensions and they can delay the process significantly.
- 5.10 The Blackpool Scheme incorporates the National Pensioner Scheme decided by Government. This ensures that support continues at the same level as existed under Council Tax Benefit. In Blackpool, pensioners currently account for 34.3% of the caseload.
- 5.11 For working-age claims there is a means-tested assessment, predominantly based upon the former Council Tax Benefit rules, to establish entitlement. A percentage reduction of 27.11% (13.56% for the groups shown in 5.2, 5.3 and 5.4) is then applied to the award at the end of the assessment.
- 5.12 The value of the percentage reduction is reviewed annually to ensure it remains fit for purpose taking account of ongoing changes in legislation, caseload and financial requirements. It is proposed that for 2020/21 the value of the percentage reduction for other working age customers, who do not fall into the vulnerable or low income categories shown at 5.2, 5.3 or 5.4, should remain at 27.11%.
- 5.13 Does the information submitted include any exempt information? No
- 5.14 **List of Appendices:**
- Appendix 2a: Discretionary Discount Policy
Appendix 2b: Equality Analysis
Appendix 2c: Council Tax Reduction Scheme 2020/21

6.0 Legal considerations:

- 6.1 A resolution by the full Council to adopt a Council Tax Reduction Scheme is required by 11 March 2020. The Scheme will take effect from 1 April 2020.
- 6.2 The Council Tax and Business Rates Discretionary Discount Policy has been reviewed and is attached at Appendix 2a.

7.0 Human Resources considerations:

- 7.1 Existing staffing resources within the Benefits Service are used to administer the Council Tax Reduction Scheme; however, it is apparent that there has been a considerable increase in face-to-face and telephone contacts, particularly when Council Tax bills are issued. The administrative and legal processes required to collect and recover substantial numbers of small amounts place an additional burden on available resources.

8.0 Equalities considerations:

- 8.1 The Equality Analysis that has previously been carried out for the Council Tax Reduction Scheme has been revisited and updated. This aims to mitigate the impact on protected groups and includes the continued availability of a discretionary hardship fund which has been made available through the adoption of a Discretionary Discount Policy. As part of their consideration of the Council Tax Reduction Scheme for 2020/21 an updated Equality Analysis is attached at Appendix 3b for Members to review.

9.0 Financial considerations:

- 9.1 For 2020/21 it is proposed that the percentage reduction made at the end of the assessment for working age claimants shall be 27.11% with the exception of those claimants who fall into the vulnerable or low income categories shown at 5.2, 5.3 and 5.4, who will be subject to a 13.56% reduction.
- 9.2 A review of the Scheme must be carried out annually to ensure it remains fit for purpose taking account of ongoing changes in legislation, caseload and financial requirements. The Council will be required to approve the Scheme each year.
- 9.3 The Welfare Reform Act 2012 provided for a major overhaul of the benefits system. The Council Tax Reduction Scheme was implemented ahead of the commencement of Universal Credit. The new Scheme of Council Tax Reduction continues to run alongside Housing Benefit during the transition to Universal Credit. Housing Benefit

administration will then gradually diminish. Wider changes to existing benefits over the last few years have meant customers on benefits have less money available to pay their Council Tax liability. Whilst there is still an ambition to achieve full collection, this is likely to take longer.

9.4 The 2020/21 Scheme remains unchanged from the 2019/20 Scheme, therefore no additional cost is forecast.

10.0 Risk management considerations:

10.1 As part of the overall project management leading to the 2013/14 Scheme, a risk workshop identified a number of risks. Actions required to mitigate those risks have been identified and implemented where possible.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 As the main elements and method of calculating awards will remain the same for 2020/21, no consultation exercise is required.

13.0 Background papers:

13.1 None.

14.0 Key decision information:

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 33/2019

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 10 January 2020 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 Date of Decision:

19.0 Reason(s) for decision:

19.1 Date Decision published:

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1