

Scrutiny Committee Report



Report of Head of Finance

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To: SCRUTINY COMMITTEE

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Council tax reduction scheme 2020/21

Recommendation

That the committee reviews the proposed council tax reduction scheme commencing 2020/21 following a public consultation and makes any recommendations to the Cabinet member for Finance

Purpose of Report

1. The purpose of this report is to allow the committee to review the proposed council tax reduction scheme that will be adopted for the financial year 2020/21, until such time as members wish to change the scheme and, invites the committee to make any recommendations it may have to the Cabinet member for Finance.

Strategic Objectives

2. The council is required by statute to adopt a scheme to help those on low incomes to meet their council tax liability. In accordance with the strategic objective "running an efficient council" by having a scheme we meet this objective whilst, at the same time, considering the views of residents, service users and other stakeholders.

Background

3. From April 2013, the national scheme to help people on low incomes pay their Council Tax (Council Tax Benefit), was abolished and a local scheme was introduced called Council Tax Reduction (CTR). The Government continued to fund the new scheme, but with a 10 per cent reduction in funding from the previous

CTB scheme. In 2013, the council decided to keep the new CTR scheme as close to the old CTB scheme as possible.

4. For the financial year 2014 onwards, the council decided several changes for working age people (the scheme for people of pension age is decided nationally by the Government) would be made to ensure everyone contributes on a fairer basis to council services and help act as an incentive to encourage people to seek work. The changes were:

- The removal of second adult rebate – where the applicant liable for Council Tax lives with another adult who is not liable for Council Tax, so does not receive a single person discount. If that other adult's income is below a certain amount, the applicant can receive help with their Council Tax based on the other adult's income, regardless of the applicant's income.
- The calculation of working age CTR is based on **91.5 per cent** of their Council Tax liability, rather than 100 per cent. There were exemptions to this. These were applicants who were considered disabled and anyone in receipt of War Widows Pensions or War Disablement Pensions. To be considered disabled, the applicant had to receive one of the following in their Council Tax Reduction award:
 - Disability premium.
 - Enhanced disability premium.
 - Severe disability premium.
 - A disability premium for dependants.
 - Enhanced disability premium for dependants.
 - Disabled earnings disregard.
 - A Council Tax disability reduction.
 - In receipt of Employment Support Allowance at any rate.
- An applicant living in a property banded F, G and H would have their CTR calculated on band E. The same exemptions to this applied as to the reduction of CTR to 91.5 per cent.
- The period of extended payment (where an applicant receives CTR based on the income they had when unemployed when they return to employment) was extended from 4 weeks to 13 weeks.

Proposals for 2020/21 onwards

5. It is proposed to make **three** amendments to the scheme that will operate from April 2020. In summary, it is proposed the changes will:

- i. provide greater support for **single parents** with children under five years old
- ii. widen the definition of who is considered **disabled** in order to be exempt from the current restrictions;
- iii. benefit people who receive **Bereavement Support Payments**.

Why are changes being proposed

6. Council tax collection data and independent reports indicate that the current minimum charge of **8.5 per cent** can **cause hardship for a number of residents**, especially those who are **single parents of working age with children under age five**. The Government does not expect those in this category to have to find work and the change should **help reduce any additional potential hardship** that this minimum charge could bring them and their children.
7. Following the introduction of Universal Credit (UC), there are two further proposals to change the CTR to take account of the impact that some UC provisions have had on those who are considered **disabled**, and those in receipt of **Bereavement Support Payments**.

Proposed changes to benefit single parents with children under five

8. Currently, single parents with children aged under five have their CTR calculated up to a **maximum of 91.5 per cent** and to a maximum of **band E** if they live in a higher banded property.
9. It is **proposed to remove the 91.5 per cent** limit when calculating their council tax bill, and **remove the band E restriction** for single parents with children under age five, so that qualifying residents will have their CTR calculated at 100 per cent of their council tax bill after any deductions and based on their property's actual council tax band
10. The current system was designed to ensure everyone contributes fairly to council services and to encourage people to return to work. However, it is recognised that for single parents with children aged under 5, it can be more difficult to find childcare if their children are not in full-time education. In particular, single parents with children aged under three are not entitled to the free childcare offered by the Government. Also, the Department for Work and Pensions (DWP) does not expect single parents on Income Support with children aged under five to work, and those on UC are not expected to work enough hours to make it possible to live independently of benefits.

Proposed changes to widen the definition of who is considered disabled in order to be exempt

11. Currently, **those considered disabled are exempt** from the calculation of their CTR to a maximum of 91.5 per cent and calculated to a maximum of band E if they live in a higher banded property.
12. It is **proposed to widen the definition of who is considered disabled**, in order to be exempt from paying council tax (e.g. CTR will be calculated on 100 per cent of their council tax bill and their actual council tax band).
13. When we made changes to the 2014 scheme, it was decided that those considered disabled would be exempt from any negative changes to the scheme due to difficulty in finding work. However, this exemption was based on premiums and benefits **which have since been replaced by UC**. There are also certain elements within UC which perform the same function as disability premiums. These are the limited capability for work element (no longer available to new

applicants), and the limited capability for work related activity, which will also exempt applicants.

14. The Government recently announced a scheme to compensate people who have lost their entitlement to a severe disability premium after moving from legacy benefits to UC. Applicants who are entitled to this payment will also be exempt. Although the elements in UC do not completely overlap with the previous benefits and premiums, we believe this proposal is the best trade-off between helping applicants who are considered disabled for CTR purposes and ensuring the scheme is efficient to administer.

Proposed changes to benefit people who receive Bereavement Support Payments

15. Currently, Bereavement Support Payment (BSP) **is counted as income** when calculating an applicant's CTR. However, it is **proposed to disregard** BSP as income from April 2020.
16. BSP is a relatively new social security benefit, introduced in April 2017. Unlike previous benefits to support bereavement, BSP is not counted as income and capital in means tested benefits. CTR, although means tested, is not a social security benefit and is counted as income and capital. The proposed change is to bring our **CTR scheme into line with other means tested schemes** and to **minimise distress to applicants who have lost their partners**.

Consultation on the proposed scheme

17. A four-week public consultation was undertaken between 11 September and 9 October 2019. A total of **261 responses** were received; 243 on line and 18 postal returns. Sixty-eight of the respondents were existing council tax reduction scheme recipients; 180 were non recipients; and three were stakeholder organisations.
18. The consultation highlighted that there is **overall support for the three proposed changes** to the scheme whilst certain scheme changes received a variety of considerations.
19. On the proposal to **remove the 91.5 per cent limit and the band E restriction** when calculating the council tax bill **for single parents** with children aged under five, **60 per cent of respondents to this question either strongly agreed or agreed with the proposal**. However, 20 per cent disagreed with this proposal and 14 per cent neither agreed nor disagreed with the proposal. The main issue of contention was regarding removing the band E restriction. *However, at the time of writing, the cost of this provision to the council was estimated to be around £42 per annum only.*
20. On the proposal to **widen the definition of who is considered disabled**, **64 per cent of respondents to this question either strongly agreed or agreed with the proposal**. However, 15 per cent disagreed with the proposal whilst 16 per cent neither agreed nor disagreed with the proposal. The most frequent comment made was about whether a person's disability affects their ability to work, and therefore their ability, and responsibility, to pay council tax. *In response to the comments it should be noted that, for those who are entitled to the Limited Capability for Work and Limited Capability for Work Related Activity in their Universal Credit, the*

Department for Work and Pensions will already have assessed how their disability affects their ability to work before awarding these components. Also, Disability Living Allowance, Personal Independence Payments and Armed Forces Independence Payments are only paid to those considered in the greatest need to help them take part in everyday life and is awarded only after a medical assessment.

21. On the proposal to disregard Bereavement Support Payments as income when calculating an applicant's council tax reduction, **73 per cent of respondents to this question either strongly agreed or agreed with the proposal.** However, 10 per cent of respondents disagreed whilst 13 per cent neither agreed nor disagreed with the proposal. There were a relatively low number of comments received to this proposal. The most frequent comment concerned the view that the proposed change is only acceptable if it is a temporary benefit and time limited. ***In response to those comments, Bereavement Support Allowance is a benefit which is paid for a maximum of 18 months, so the extra help is time limited.***

Financial Implications

22. If all the proposals are accepted into the CTRS there will be an approximate overall cost of around £46,000 per annum. However, as the costs are shared by the precepting authorities approximately 78 per cent of the cost (£37,000) falls on Oxfordshire County Council, with the Police and Crime Commissioner (Thames Valley) funding £5,000 and the Vale £4,000.

Legal Implications

23. The current council tax reduction scheme was adopted in 2014/15. There is a statutory duty to adopt a 2020/21 scheme by 11 March 2020. If this deadline is not adhered to, the council's 2014/15 scheme will automatically be rolled over as a consequence.

Risks

24. There is a risk that the current CTRS caseload could increase significantly, resulting in expenditure exceeding current estimates. However, over recent years we have seen a reduction in the caseload from 5,214 in April 2017 to 4,891 in September 2019. There is no indication that this trend will not continue.
25. Changing a council tax reduction scheme which benefits certain categories of claimant without being supported by robust principles and consultation, could be open to legal challenge on equalities grounds. However, to mitigate this, the council has ensured that it has fully complied with the necessary consultation and equality requirements.

Other Implications

26. The council undertook an Equality Impact Assessment (EIA) of the proposed changes. There were no actions to take, as by their nature, the proposals address the disadvantages which currently exist for certain categories of claimant considered at risk of discrimination. Where data was available, the EIA did not find any significant variance from the general population of either the Vale or nationally.

Conclusion

27. The council must adopt a local council tax reduction scheme for 2020/21 by 11 March 2020 and it is proposed that this be based on a scheme which intends to support residents on low incomes with help towards paying their council tax. The proposals in this report as proposed by the Cabinet Member for Finance, is to enhance the current scheme to ensure it continues to be fair on all residents; protects the vulnerable; and, encourages residents back to work by continuing with the inclusion of work incentives.

Background Papers

The Council Tax Reduction Scheme consultation summary report, available on the council's website using [this link](#).