

## Review and Replacement Runnymede's Council Tax Support Scheme (Resources-Ed Bowen)

### Synopsis of report:

**To approve consultation on a revised Council Tax Support scheme, for those of working age, ensuring it is up to date, relevant and incorporates the roll out of Universal Credit to Runnymede's residents.**

**To stabilise Council Tax Support entitlement and simplify the administration of claims and make it easier for the Council's most vulnerable residents to receive financial assistance towards their Council Tax liability.**

### Recommendation(s):

**The Committee approve consultation on options 2 and 4 for Runnymede's Council Tax Support scheme to come into effect from April 2023.**

## 1. Context

- 1.1 In April 2019 we introduced a new scheme for working age customers that removed entitlement for those in bands F, G and H, introduced a minimum income floor that mirrors the provision in UC, restricted the minimum entitlement to £5 & £10, reduced the level of savings that can be held and made some administration changes to align entitlement with Universal Credit (UC).
- 1.2 If a local authority wishes to make fundamental changes to its Council Tax Support (CTS), it needs to consult the public and other affected groups on these changes. The scheme also needs to be approved by Full Council.

## 2. Background

- 2.1 In April 2013 Council Tax Benefit was replaced by a locally designed and funded scheme entitled 'Council Tax Support'. Previously Council Tax Benefit was a national scheme which was funded more or less in full by Central Government in the form of benefit 'subsidy' paid to the Local Authority by the Department for Work and Pensions (DWP).
- 2.2 As part of the introduction of this new scheme the Government in effect reduced the funding available to local authorities by approximately 10% of the baseline Council Tax Benefit spend in 2012/13, although the impact of this was mitigated somewhat by a transitional grant which was available to Local Authorities in Year 1 (2013/14).
- 2.3 The Local Government Finance Act 2012, introduced Section 13A (2) which sets out the legal requirement for each LA to set up a CTS scheme. Under the relevant Council Tax Support legislation, those claimants of Pensionable age must be protected. In this context 'protected' means they cannot receive less financial assistance under the proposed Council Tax Support scheme (CTS) than they would have under the previous Council Tax Benefit regime.
- 2.4 In April 2019 we introduced a new scheme for working age customers that removed entitlement for those in bands F, G and H, introduced a minimum income floor that

mirrors the provision in UC, restricted the minimum entitlement to £5 & £10, reduced the level of savings that can be held and made some administration changes to align entitlement with Universal Credit (UC).

2.5 If a local authority wishes to make fundamental changes to its CTS, it needs to consult the public and other affected groups on these changes. The scheme also needs to be approved by Full Council.

2.6 We currently award around £4.1 million in CTS, shown in the table below:

Claimant Group	Number of Claims	Total Annual Award.
Pensioners	1,437	£2,000,168
Vulnerable / Disabled Claimants	892	£1,233,734
Working Age & Employed	65	£65,650
Working Age Other	674	£789,234
<b>Totals</b>	<b>3,068</b>	<b>£4,088,786</b>

### 3. **Report**

#### 3.1 **Options for Change**

Looking ahead to 2023-24, there are a number of options for a revised CTS scheme, that would be:

- simpler to understand
- simplified administration
- stabilise council tax support entitlement so reducing the need to rebill customers everytime there is a small change in household income
- reduce costs in postage and administration
- redeploy existing staff to overpayment recovery and data matching to ensure awards are correct
- expand welfare work to ensure the council is not chasing debts unnecessarily and causing further financial hardship for residents

#### **The Effect On The Council Tax Base:**

3.2 The council tax base is used to calculate the amount of council tax charged per household and how much is raised for the preceptors (Surrey County Council, Police and Fire authority).

3.3 It is important to understand that the more we reduce council tax liability with CTS the more of that foregone revenue has to be made up by the remaining council taxpayers.

3.4 Over the past few years to avoid triggering a referendum on council tax increases, we have chosen to increase the council tax by £5 on Band D. For every £5 increase in the council tax liability, 37 pence went to covering that increase in council tax liability, leaving £4.63 to be spent on other services.

3.5 The 2022/23 council tax raises £179.55 on each Band D for all our services, £9.82 of that goes towards the cost of CTS.

3.6 Therefore, to provide a more generous CTS scheme, more of that revenue would be drawn away from other services.

## **UNIVERSAL CREDIT**

- 3.7 Claimants and families on a low income are expected to claim Universal Credit to assist with their living expenses / rent and will also need to make a separate claim for CTS to receive assistance with their Council Tax.
- 3.8 Every time a claimant's CTS entitlement changes, we are obliged to notify them in writing of this change. They are also issued a new Council Tax bill. There is a theoretical situation that could arise: because customers need to be given sufficient advance notification of changes in direct debit payments, if their Council Tax Support was recalculated 12 times in a year, a payment may never actually be taken.
- 3.9 The volume of work now generated by Universal Credit causing a change in every month is becoming unmanageable. We currently have 825 households claiming Council Tax Support based on their Universal Credit entitlement. This represents 50% of our current Council Tax Support caseload, and we are currently receiving around 1,300 notifications from the DWP each month in relation to Universal Credit.
- 3.10 Because of the issues caused by the treatment of Universal Credit within the default Council Tax Support scheme, many local authorities, including Surrey Heath and Epsom & Ewell have made changes to their Council Tax Support scheme.

### **3.11 Runnymede's current CTS scheme for working age people**

- Pensioners and working age vulnerable are fully protected and continue to receive up to 100% relief towards their Council Tax
- With the exception of those classed as vulnerable, everyone must pay at least 20% of the charge. The vulnerable will pay at least 10% of the charge
- The amount of CTS awarded is limited to Band D for working age people in Band E dwellings.
- Entitlement to CTS will be withdrawn entirely for those in properties in Bands F, G and H
- CTS entitlement calculated at less than £10.00 per week will not be paid, except for those classed as vulnerable – the previous level of £5.00 per week will be maintained
- The savings/capital limit £10,000, except the vulnerable at £16,000.
- Backdating is set at three months
- Earnings disregards will match Housing Benefit levels
- Allowed temporary absence outside of the UK will be reduced to four weeks – matching the Housing Benefit scheme
- Second Adult Rebate continues to be withdrawn
- A Minimum Income Floor will be introduced for those who are self-employed, along with a one-year start up period
- Non-dependent deductions will be increased to match the levels set by the Government in the Prescribed Requirements
- Entitlement to the Family Premium will be restricted for new CTS applications received from 1 April 2019

### **3.12 Options**

#### **OPTIONS FOR A CHANGED CTS SCHEME FROM 2023: (more detail is in Appendix A)**

**Option 1:** Retain the scheme in its current form with no changes. We would continue to uprate it, as we have done in previous years, and another 4.59% increase in next

year's council tax liability to make the total annual spend £4.2m would mean council tax on each Band D would rise to £179.92

**Option 2:** Stabilise entitlement for residents by simplifying what happens when CTS changes by small amounts during the financial year.

Introduce a de minimis amount where any change of circumstances would result in an increase or decrease in a working age claimant's entitlement of less than £3.25 per week, then no change in CTS will occur until the total changes cumulatively amount to at least £3.25 per week.

Where this does occur, the change will be effective from the date of the last change.

The London Borough of Haringey have just introduced a de-minimis scheme which ignores gross income changes of less than £16.25 per week.

**Option 3:** Introduce a banded income scheme that gives claimants a percentage reduction based on the household income.

**Option 4:** Treat a claim for Universal Credit as a claim for CTS. Currently, CTS is underclaimed in part because of the frequent changes and the broken link to Housing Benefit claims. We propose taking the UC data and treating that as a claim for CTS. However, the data that is shared does not provide all the information we need to make a decision under the current scheme.

We propose Introducing a flat rate non-dependent deduction and removing the additional earnings disregard (AED). These changes will allow us to use the UC data without the cost and delay of gathering additional information.

To compensate for the loss of the additional earnings disregard we could change the minimum weekly entitlement for working age employed customers to £5.00.

Those in the Working Age Other category are not entitled to the AED and so would only be affected by the change to a flat rate non-dependant deduction.

### **Disadvantages**

**Option 1: Retain the scheme in its current form with no changes.**

The disadvantages of retaining the scheme would be the increased administration burden & costs, as described above.

**Option 2: Stabilise entitlement for residents by simplifying what happens when CTS changes by small amounts during the financial year.**

Disadvantages:

Those with small decreases in income will not see their entitlement rise as quickly

**Option 3: Introduce a banded income scheme that gives claimants a percentage reduction based on the household income. Modelling indicates this would lead to an increase in the spend on CTS on each Band D of 38 pence.**

Disadvantages:

Those with decreases in income will not see their entitlement rise as quickly

Some customers will immediately be better or worse off depending on the bands of income and the level of percentage reduction

There is an additional licensing cost from NEC

**Option 4: Treat a claim for Universal Credit as a claim for Council Tax Support. Introduce a flat rate non-dependant deduction**

Disadvantages:

Some customers will be better off while others may be worse off as their non-dependant will be asked to contribute more towards the council tax with the increased non-dependant deductions.

**Remove entitlement to the additional earnings disregard**

Disadvantages:

Some customers in full time work will be worse off with the removal of the additional earnings disregard.

**Benefits**

Option 1: Retain the scheme in its current form with no changes.

Advantages:

The only advantage would be a saving on the cost of consultation and work involved in modelling and assessing the impacts of change.

Option 2: Stabilise entitlement for residents by simplifying what happens when CTS changes by small amounts during the financial year.

Advantages:

Stabilising entitlement will aid household budgeting. Those with frequent small changes in entitlement will see fewer changes in their entitlement reducing the need to rebill and reprofile council tax instalments

Option 3: Introduce a banded income scheme that gives claimants a percentage reduction based on the household income.

Advantages:

Those with frequent larger changes in entitlement will be able to budget better. By stabilising entitlement, it will reduce the need to rebill and reprofile council tax instalments

More transparent and easier to understand likely entitlement

Option 4: Treat a claim for Universal Credit as a claim for CTS.

Introduce a flat rate non-dependant deduction

Advantages:

Standard rates of non-dependant deduction will be more transparent, easier to understand and lead to quicker decisions.

Remove entitlement to the additional earnings disregard

Advantages:

Taking the DWP data we can automate some of the decisions to speed up decisions and ensure those entitled are given the support they are entitled to as soon as possible.

**3.13 Option 2 & 4 – preferred option**

In a revised scheme:

- there is a de minimis level of £3.25
- treat a claim for Universal Credit as a claim for CTS
- flat rate non-dependant deductions
- removal of the additional earnings disregard

- 3.14 The table below shows the impact of the options when modelled with a 4.59% increase in Council Tax and an uplift in welfare benefits and allowances and premiums, similar to the uplift in 2022/23:

<b>Option</b>	<b>Effect on Tax Base and cost</b>
Option 1: Retain the scheme in its current form	Tax Base 34452.7 Budget £6,198,784 Band D £179.92 Current Band D £179.55 Increase of 37 pence
Option 2: Introduce a de minimis amount	Tax Base 34452.7 Budget £6,198,784 Band D £179.92 Current Band D £179.55 Increase of 37 pence
Option 3: Banded scheme. The modelling indicates an increase of £815 over 2021	Tax Base 34450.8 Budget £6,198,784 Band D £179.93 Current Band D £179.55 Increase of 38 pence
Option 4: Automation of claims. The modelling indicates a saving of £15,447 on the current year scheme	Tax Base 34465.9 Budget £6,198,784 Band D £179.85 Current Band D £179.55 Increase 35 pence

### **Officer recommendation**

- 3.15 We have presented four options that would lead to less administration and efficiency savings while delivering a scheme that is more accessible with claims linked to Universal Credit and that is fit for the future.
- 3.16 The choice to not make any changes needs to be considered and if appropriate dismissed on a reasoned basis.
- 3.17 Therefore, the recommendation is for options 2 (a de minimis level) and 4 (allow for the automation of claims) to be taken forward for consultation.

### **Mechanism for Revising the CTS Scheme**

- 3.18 Before the RBC CTS scheme can be revised, there must have been consultation with major preceptors and the general public on the possible options for change. The consultation will run from July to August, giving sufficient opportunity for interested parties to comment and try and obtain as broad a range of consultation responses as possible.
- 3.19 An independent market research company would be asked to undertake the consultation on behalf of Runnymede Borough Council. 1,000 questionnaires to be issued to a consultation group to include a wide variety of working and pensionable age customers and the survey to be available on the Council's web site.

## Financial implications

Option	Effect on Tax Base and cost
Option 1: Retain the scheme in its current form	Tax Base 34452.7 Budget £6,198,784 Band D £179.92 Current Band D £179.55 Increase of 37 pence
Option 2: Introduce a de minimis amount	Tax Base 34452.7 Budget £6,198,784 Band D £179.92 Current Band D £179.55 Increase of 37 pence
Option 3: The modelling indicates an increase of £815 over 2021	Tax Base 34450.8 Budget £6,198,784 Band D £179.93 Current Band D £179.55 Increase of 38 pence
Option 4: The modelling indicates a saving of £15,447 on the current year scheme	Tax Base 34465.9 Budget £6,198,784 Band D £179.85 Current Band D £179.55 Increase 35 pence

## **4. Legal Implications**

- 4.1 When Council Tax Support was introduced, local authorities were obliged to have a scheme in place by 11 March.
- 4.2 Schedule 1A, paragraph 5 of the Local Government Finance Act 1992 states:
- 4.3 For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme
- 4.4 The above is understood to mean that for every financial year since 2013, local authorities need to have considered whether to amend/revise or keep the same their local scheme. Best practice suggests that, as part of any review of a local scheme, consultation with stakeholders be undertaken. As with the initial Council Tax Support scheme from April 2013, the decision to maintain or revise a scheme needs to be made by full Council.
- 4.5 In addition to any local variations, each year the Government issues regulations amending the default scheme. Amendments in respect of pensioners *must* be incorporated into any local scheme. Whether these amendments need to be included in a local scheme for working age residents are for each local authority to decide.

## **5. Equality implications**

- 5.1 Councillors need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty, as set out in Section 149 of the Equality Act 2010, as part of the decision making process. The three aims the authority must have due regard for are:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic

5.2 The Council must pay due regard to any obvious risk of such discrimination arising from the decision before them.

5.3 A full EIA will be completed on the proposed scheme, prior to its implementation.

## **6. Conclusion**

6.1 The Committee to approve the preferred options for Runnymede's Council Tax Support scheme for consultation.

(To resolve)

**Background papers:**

**Appendix A**