

Cabinet

Date of Meeting: 03 December 2019

Report Title: Council Tax Support Scheme for 2020/21

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication

Senior Officer: Alex Thompson, Director of Financial and Customer Services

1. Report Summary

- 1.1. Further to Central Government's welfare reform changes, Council Tax Benefit was abolished and from April 2013 has been replaced by a localised Council Tax Support Scheme. Full Council must approve the scheme each year.
- 1.2. The scheme was last fully reviewed in 2015 and changes were made, following a public consultation, for 2016/17. Council approved this on 15 December 2015¹.
- 1.3. The Council's scheme only affects those of working age; pensioners are protected and MHCLG maintain this scheme, which mirrors the former Council Tax Benefit. Details of the Council's current scheme can be found at: https://www.cheshireeast.gov.uk/benefits_housing_council_tax/council-tax-support.aspx.
- 1.4. Under the current means-tested scheme every change of income, no matter how small, results in the claim being reassessed. A new Council Tax demand is issued where this changes the level of the award and revised instalments for the remainder of the financial year.
- 1.5. It is proposed to amend the scheme so that it is based on income bands, removing multiple changes to assessment levels, reducing the number of

¹ <http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?Cid=239&Mid=5728&Ver=4>

Council Tax demands issued throughout the year, providing the income remains in the same income band. This scheme will also be much simpler than the current complex means-tested calculation, making it easier for customers (existing and potential) to understand.

- 1.6. The changes will also reduce the administration of the scheme improving efficiency, but are not intended to reduce the overall cost of the scheme.

2. Recommendations

That Council:

- 2.1. Amend the Council Tax Support scheme for 2020/21 as follows:

- 2.1.1 Introduce a 'banded scheme', that is reviewed annually in line with the Consumer Price Index for September of the preceding year, with the income initial bands and levels of support set as follows:

Maximum award	Single	Couple	Couple / lone parent with 1 child	Couple / lone parent with 2 or more children
75%	£0 - £90	£0 - £140	£0 - £200	£0 - £290
60%	£90.01-£115	£140.01-£170	£200.01-£230	£290.01-£320
45%	£115.01-£140	£170.01-£200	£230.01-£270	£320.01-£360
30%	£140.01-£165	£200.01-£230	£270.01-£300	£360.01-£390
15%	£165.01-£190	£230.01-£260	£300.01-£320	£390.01-£410

Table 1 Proposed income bands and support for working age claimants

- 2.1.2 Disregard the first £40 weekly income for those customers classed as disabled under the current scheme.
- 2.1.3 Fully disregard Carer's allowance.
- 2.1.4 Disregard the first £25 of all weekly-earned income.
- 2.1.5 Increase the maximum period that claims for Council Tax Support can be backdated from 13 weeks to 12 months, where customers can show good reasons for the delay.
- 2.1.6 Increase the fixed non-dependent deduction for other adults in the household from £7 to £8 per week.
- 2.1.7 Stop the additional 8 weeks top-up payment for some people who start work, known as extended payments.

- 2.2. Note that, apart from the recommendations listed above, all other elements of the scheme are to remain unchanged.

3. Reasons for Recommendations

- 3.1. The current scheme is complex relying on calculations looking at the claimant's household income and make up. Each assessment requires an assessment against categories for different needs and a taper applied to income. A simpler scheme will benefit those claiming, make it easier to identify potential liability and be more efficient to administer.
- 3.2. To cater for those customers with additional needs and responsibilities, changes have been made to provide additional support by:
- Disregarding an additional £40 income from those customers who are classed as disabled under the scheme. Disability Living Allowance, Personal Independence Payment and Attendance Allowance are already fully disregarded.
 - Fully disregard Carer's allowance.
- 3.3. Customers are currently classed as disabled who are:
- blind or have recently regained their sight or
 - in receipt of disability living allowance, personal independence payment, attendance allowance, war pensioner's mobility supplement, disability element or severe disability element of working tax credit, severe disablement allowance, incapacity benefit at the long term rate, or at the short term rate for those terminally ill or
 - treated as long term sick (incapable of work) or
 - in receipt of an invalid vehicle supplied by the NHS or get payments from DWP for car running costs
- 3.4. To encourage those who can work to do so, the first £25 of weekly earnings are to be disregarded. This is in addition to the current disregards of tax, national insurance and half of contributions towards a private pension.
- 3.5. The additional earnings disregard will help those starting work. The current scheme allows some customers starting work to keep their support for the first 8 weeks regardless of their level of earnings. The level of support given is low, compared to the annual liability, and involves manual intervention by officers to identify and administer. The increased earnings

disregard will help all customers who are in work on a low wage and for the whole of their award period. This will be much more efficient to administer.

- 3.6. A flat-rate deduction is made in respect of other adults living in the household, recognising that they should be contributing to household bills. The rate has been at £7 per week since 2016. An increase to £8 per week is proposed; the first increase in 4 years.
- 3.7. Some customers may have good reasons for failing to claim at the correct time. To support those demonstrating good cause for the delay, the maximum period support can be updated is to be increased from 13 weeks to 12 months.
- 3.8. Every change in circumstance requires a reassessment and where this changes the level of award, the claimant receives a Council Tax demand with revised instalments for the remainder of the financial year.
- 3.9. Customers must be given a minimum of 14 days notice of a revised instalment. Depending on the timing of a change in circumstance, if income regularly changes, a customer may not have an instalment collected for one or more months, resulting in increased payments for the rest of the financial year.
- 3.10. Many claimants have numerous changes, making it difficult to budget or to understand what impact a change in income may have.
- 3.11. The proposed banded scheme is much simpler and will reduce the amount of changes resulting in revised demands and instalments. Potential customers can also more easily identify potential entitlement. The scheme will continue to support those in need, protecting those most vulnerable and encourage those who can work, to do so.
- 3.12. Having agreement that the income bands can increase by CPI each year removes the need to undertake annual public consultation. Council can consider the levels within the scheme as part of the wider annual Council Tax base report.
- 3.13. The change in the scheme supports the Council's key outcome to be a responsible, effective and efficient organisation.

4. Other Options Considered

- 4.1. The scheme could remain unchanged. However, this would continue to result in numerous reassessments of claims for small changes in income, issuing of revised Council Tax demands and benefit notifications, with resulting changes in instalments. This would not deliver any efficiency in

the administration and would remain a complex scheme where most customers do not fully understand the calculation.

5. Background

5.1. Further to Section 1, the Council Tax Support Scheme is intended to help those on low income/low earnings meet their Council Tax liability, reducing debt and poverty. The Council's current scheme is designed to:

- Incentivise those who can work to do so
- Reward those who are in work, on a low wage
- Encourage those on a low income to downsize and move to more affordable housing (lower banded)
- Allow those with capital over £6k to meet their liability

5.2. Following the review of the scheme in 2015, the main features of the existing scheme are:

- To restrict the maximum support available to that of a Band B property in the claimant's area
- All working age claimants have a minimum contribution of 25% of their liability (subject to restrictions applied under 5.2.1)
- Minimum award of £2 per week
- Capital limit of £6k
- Fixed non-dependent deduction of £7 per week
- Allowances used in the means tested calculation are increased annually in line with those for Housing Benefit
- Claims can be backdated for up to 13 weeks where a claimant has a good reason for not applying sooner
- Council Tax Support continues at the same level for the 1st 8 weeks when the claimant starts work

5.3. Under the current scheme every change of income, no matter how small, results in the claim for Council Tax Support being reassessed, a new Council Tax demand issued and revised instalments for the rest of the financial year. Many customers who are working, and in receipt of Universal Credit, face reassessments every month where their earnings may fluctuate by only a few pence each week.

- 5.4. A public consultation has been held on the proposed changes (see section 8). A total of 549 responses were received.
- 5.5. With regards to the proposed income bands, categories and level of support, there was clear agreement:

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know / Not sure
Proposed 4 household categories	20.5%	45.6%	15.0%	7.2%	3.8%	8.0%
Proposed weekly income bands	18.4%	45.8%	16.1%	8.0%	3.9%	7.8%
Proposed award bands	18.3%	45.2%	15.2%	8.8%	4.1%	8.4%
Overall support	19.8%	44.1%	16.7%	7.6%	3.4%	8.4%

Table 2 Response on bands, categories and level of support

- 5.6. 61.3% of respondents supported the proposal that the income bands are then revised annually in line with the Consumer Price Index for the September in the preceding financial year.
- 5.7. The responses were in support of the other changes:

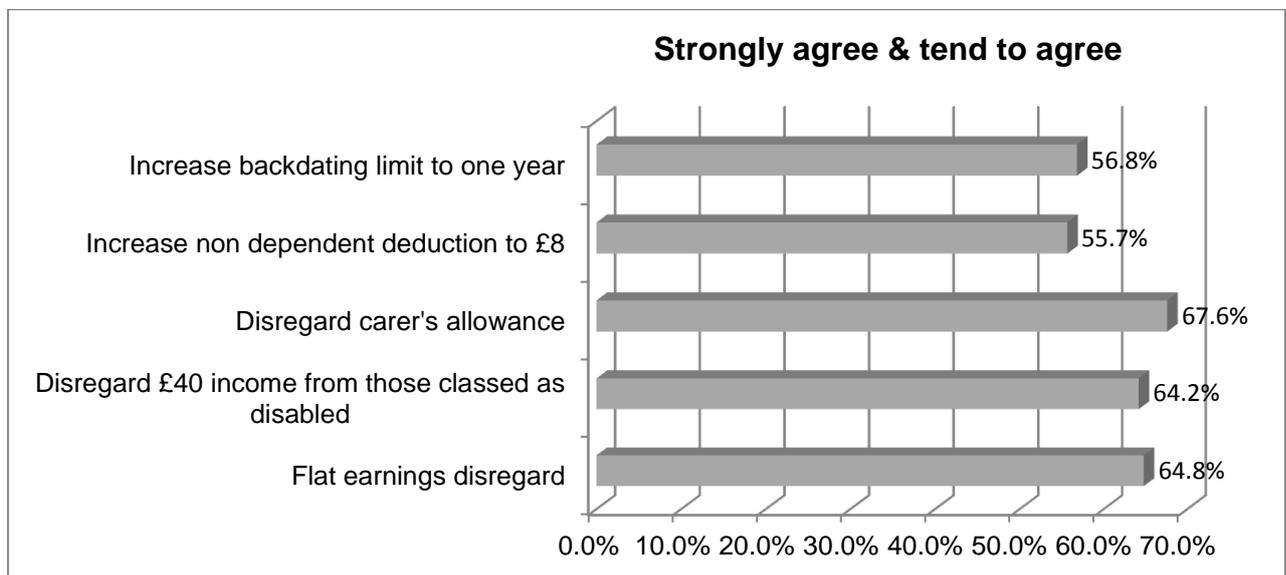


Table 3 Responses in support of the proposals

- 5.8. The proposal receiving the least support is to stop the additional 8 weeks payment for some people who start work. Of those expressing an opinion to agree or disagree, 40.9% strongly agreed/tended to agree with the proposal with 29.9% strongly disagreeing/tending to disagree. However, those starting work will benefit from the proposed change to disregard £25 of their earnings.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1 Section 13A of the Local Government Finance Act 1992 (as amended) places a duty on the Council to make a scheme specifying the reductions to Council Tax for those:

- Persons whom the Council considers to be in financial need, or
- Persons in classes consisting of persons whom the Council consider to be, in general, in financial need

6.1.2 The scheme must be approved by full Council preceding the start of the financial year it relates to.

6.2. Finance Implications

6.2.1 The cost of the Council Tax Support Scheme has an impact on the Council Tax base.

6.2.2 The tax base reflects assumptions around the Council Tax Support Scheme. Since it was introduced, the cost has been monitored and an allowance for risk was added. The risks include uncertainty over the economy and the potential for a major employer to leave the area (with no alternative employment available).

6.2.3 The overall cost of the proposed scheme is in line with the current expenditure c.£15.4m (against a budget in the tax base calculation of £16.2m for 2019/20). This will be revised for 20/21 in line with the Council Tax increase, when approved.

6.3. Policy Implications

6.3.1 The change to the scheme supports the following strategic outcome:

- A responsible, effective and efficient organisation

6.4. Equality Implications

6.4.1 An Equality Impact Assessment is attached as Appendix A.

6.5. Human Resources Implications

6.5.1 The administration for processing the applications is within the Benefits Section. There are no proposals to change this.

6.6. Risk Management Implications

6.6.1 As the Scheme is demand led, there is a risk that a large increase in demand will inflate the cost of the scheme.

6.6.2 To mitigate this, the tax base reflects assumptions around the Council Tax Support Scheme. Since it was introduced the cost has been monitored and an allowance for risk was added. The risks included uncertainty over the economy, the potential for a major employer to leave the area. Regular monitoring is undertaken and the proposed scheme has been modelled against the current caseload.

6.7. Rural Communities Implications

6.7.1 There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

6.8.1 There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1 There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1 The reduction in assessments generating a change in entitlement will reduce the number of revised Council Tax Demands issued.

6.10.2 In addition the service is digital with customers encouraged to sign up to receive all the information in their on-line portal².

7. Ward Members Affected

7.1. All local Ward Members are affected

² <https://www.cheshireeast.gov.uk/account/cheshire-east-account.aspx>

8. Consultation & Engagement

- 8.1. A public consultation ran from 25 July 2019 to 16 September 2019 to seek views on the proposed changes to the scheme. This was promoted on the Council's web site and drop in sessions were held at Crewe and Macclesfield. It was also promoted at key stakeholder events, forums, by telephone, email and face to face with customers contacting the service during the consultation window.
- 8.2. The findings of the consultation are included within section 5.

9. Access to Information

- 9.1. Details on the Council Tax Support Scheme can be found at:
https://www.cheshireeast.gov.uk/benefits_housing_council_tax/council-tax-support.aspx.

10. Contact Information

- 10.1. Any questions relating to this report should be directed to the following officer:

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