



Purpose: For Decision

Committee report

Committee	FULL COUNCIL
Date	21 NOVEMBER 2018
Title	LOCAL COUNCIL TAX SUPPORT SCHEME 2019/20
Report of	THE DEPUTY LEADER AND CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. Each year the council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it. The Isle of Wight council tax reduction scheme is known as Local Council Tax Support (CTS).
2. Council Tax Reduction was introduced from 1 April 2013 when it replaced the central government funded Council Tax Benefit regime. From its inception, the funding available to the council from government has reduced year on year.
3. As with the clear majority of authorities within England, the council has changed its scheme each year to:
 - Adjust the level of support in line with the funding available from central government;
 - Align the scheme with the changes in Housing Benefit; and
 - Aid administration.
4. This report details the changes and also proposes a way forward and makes recommendation to members:
 - (i) To maintain the current level of support for working age applicants for 2019/20 subject to minor amendments due to changes in applicable amounts and non-dependant deductions; and
 - (ii) To develop options for an alternative council tax reduction banded scheme for consideration and potential implementation from 2020/21 to

reduce the administrative burden placed on the council by the introduction of Universal Credit.

BACKGROUND

5. Council Tax Reduction Scheme (CTR) was introduced by central government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of its introduction, the government in transferring the responsibility to individual councils set requirements namely:
 - The duty to create a local scheme for **Working Age** applicants with billing authorities.
 - Funding was initially reduced by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - Persons of **pension age**, although allowed to apply for Council Tax Reduction, would be dealt with under regulations prescribed by central government and not the authorities' local scheme.
6. Since that time, funding for the Council Tax Reduction Scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from central government sources.
7. The current support scheme created by the council known as Local Council Tax Support (LCTS) is divided into two schemes, with pension age applicants receiving support under the rules prescribed by central government, and the scheme for working age applicants being determined solely by the local authority.
8. Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The council has no powers to change the level of support provided to pensioners and therefore any changes to the level of LCTS support can only be made to the working age scheme.
9. When LCTS was introduced in 2013, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. However, due to the reduction in funding, a number of changes have been made over the years to the working age scheme. These are as follows:

Changes made from 1 April 2013 (from the original Council Tax Benefit scheme)

- A decision was made to reduce maximum entitlement for working age non-vulnerable claimants to 80 per cent of their council tax liability. The reduction in support was deferred for one year as central government offered additional payments if councils' limited their reduction and

maintained a scheme that didn't reduce maximum entitlement to less than 91.5 per cent;

- To safeguard those applicants, their partner, or disabled dependent child who were deemed working age 'vulnerable', the LCTS scheme provided the same level of assistance as the previous Council Tax Benefit Scheme (100 per cent); and
- The Second Adult Rebate scheme for working age was removed, this provided a level of discount based on the income and circumstances of any 'second adult' (not the applicant or partner).

Changes made from 1 April 2014.

- From 1 April 2014, LCTS was restricted to a maximum of 80 per cent entitlement for working age. Vulnerable applicants continued to be granted protection at 100 per cent on a 'blanket' policy;

Changes made from 1 April 2016

- From 1 April 2016, the Family Premium was removed and backdating limited to one calendar month in line with the national changes to the Housing Benefit scheme. The family premium of £17.45 was previously awarded to households with children within the calculation of LCTS and was withdrawn from Housing Benefit from May 2016. This change was approved to bring LCTS in line with Housing Benefit regulations.
- The blanket protection for certain claimants was removed and replaced by an exceptional hardship fund which gives a tailored approach to those cases suffering exceptional hardship. A blanket protection was previously provided to those working age claimants, their partners or dependent children who received certain (disability) benefits to a maximum of 100 per cent of their council tax liability applied. The introduction of a targeted protection scheme (Exceptional Hardship Fund) rather than a blanket protection was to take into account individual circumstances, including the claimant's income and essential outgoings.
- For self-employed applicants, the minimum income floor was introduced into the scheme. This sets a minimum level of income that is used in the calculation of LCTS for certain cases where they have been in business for more than 12 months. These changes align with the approach taken in Universal Credits.
- The capital limit was reduced from £16,000 to £6,000. The maximum level of capital a claimant could own before they no longer qualified for LCTS was previously £16,000, and this was reduced to £6,000 in 2016.

Changes made from 1 April 2017

From 1 April 2017, the following changes were made to align LCTS with changes made to housing benefit:

- A reduction in the period for which a person can be absent from Great Britain and still receive LCTS from thirteen weeks to four weeks. A Change introduced in housing benefit which excluded a person from housing

benefit if they were out of the country for 4 weeks or more. This change was approved to bring LCTS in line with Housing Benefit regulations.

- From the 1 April 2017 new Employment Support Allowance (ESA) claimants who go into the work related activity group will not receive additional monies in their ESA. This component was £29.05 per week in the calculation. This change was approved to bring LCTS in line with Housing Benefit regulations.
- To limit the number of dependent children within the calculation of LCTS to a maximum of two for any new children born on or after 1 April 2017 This change was approved to bring LCTS in line with Housing Benefit regulations’.
- To remove entitlement to the Severe Disability Premium in line with changes made to housing benefit where another person is paid Universal Credit (Carers Element). This change was approved to bring LCTS in line with Housing Benefit regulations.

Changes made from 1 April 2018

From 1 April 2018, further changes have been made to LCTS to provide additional funding to the council, namely:

- To reduce the maximum entitlement for working age claimants to 70 per cent of their council tax liability;
- To restrict Council Tax Reduction to a maximum Band C valuation - this affects all applicants whose dwellings have a band D or higher; and
- To disregard the new Bereavement Support Payments in line with changes made to Housing Benefit.

10. The working age scheme for 2018/19 requires all working age applicants to pay a minimum of 30 per cent of their council tax (a maximum level of LCTS support of 70 per cent) and LCTS is calculated up to a maximum of band C for council tax valuation purposes. Any applicants living in premises which have a council tax band of D, E, F, G or H have their entitlement calculated on band C levels.
11. The council has already introduced an exceptional hardship scheme since 2016 and allows any claimant to apply for additional support up to the full level of their council tax and will continue to provide assistance to those deemed to be in genuine hardship and requiring additional support above the CTS scheme provision. Since 2016, 120 awards have been made with a total value paid to applicants totalling £24,600.
12. Universal credit (UC) has gone live on the Isle of Wight and all new claims for assistance with rental costs will be made to the DWP for most working age cases. In all UC cases monthly wage information is provided to the DWP from HMRC to ensure the correct amount of UC is paid. Once a month the DWP provide details of changes of entitlement for UC to the Local Authority and the

benefits section have to process the change on the LCTS claim, this change in the LCTS calculation adjusts the claimant's council tax account overnight. On every occasion when a change occurs to LCTS a revised council tax account and instalments is produced. This continual change to council tax accounts will cause increased administration and postage costs as well as having the effect of constant change in the billing cycle which may cause the resident issues in understanding payments required and also the collection and recovery for the Council Tax department. The resident will be confused with the amount to be paid, and accounts may get into arrears with ongoing collection and recovery affected. The option to change the scheme to an income banded scheme is suggested for investigation to try and address these issues with new scheme options for LCTS being provided for consideration for 2020/21.

Considerations and options for 2019

13. In line with legal requirements set down by the Local Government Finance Act 1992 (as amended), it has been necessary to review the current scheme and consider whether any potential changes should be proposed to the LCTS working age scheme for the 2019/20.
14. The review commenced in January 2018 and five main options for change to the working age LCTS scheme have been considered, namely the following:

Option 1 - The need to review the level of support, given the overall costs of the scheme and whether the maximum level of support for working age cases should be reduced to 65 per cent (from the current maximum level of 70 per cent);.

Option 2 - To begin to develop options for an alternative council tax reduction banded scheme for consideration and potential implementation with effect from 1 April 2020 to reduce the administrative burden placed on the council as a result of the introduction of Universal Credit.

Option 3 - To introduce a minimum level of LCTS entitlement of either £2 per week or £4 per week to qualify for any reduction towards a person's council tax liability;

Option 4 - To disregard the new Infected Blood Scheme payments in line with changes made by government to the housing benefit scheme rules. Five payment schemes have provided financial support to people infected with HIV and/or hepatitis C as a result of contaminated National Health Service blood or blood products. These schemes are run by: The Eileen Trust, The Macfarlane Trust, MFET Ltd, The Skipton Fund and The Caxton Foundation. Payments from these schemes are fully disregarded in housing benefit and can be achieved without consultation in LCTS using the Exceptional Hardship Fund policy. Any applicants receiving the new Infected Blood Scheme Payments will be given additional support, if required, through the exceptional hardship facility that already exists within the Council Tax Reduction.

Option 5 - To maintain the current LCTS scheme but allowing for any minor adjustments to applicable amounts and non-dependant charges in line with housing benefit and the local council tax reduction scheme for pension age applicants.

15. Careful consideration has been given to all of the change options, however, the following should be noted:
- In the case of Options 1 and 3 there is concern highlighted from the council tax recovery figures that, whilst the level of support could be reduced, this may cause hardship and there may be a reduction in the overall level of council tax collection. In addition, any saving may be less than expected.
 - In the case of Option 2, the development of a simplified scheme to meet the emerging challenges of the introduction of Universal Credit is essential, but, given the experience with other authorities, more time would be required to successfully devise and implement such a significant change to the current LCTS scheme;
 - Option 4 can be achieved without consultation using the Exceptional Hardship Fund policy. Any applicants receiving the new Infected Blood Scheme Payments will be given additional support, if required, through the exceptional hardship facility that already exists within the Council Tax Reduction scheme;
 - Option 5 would in effect mean the continuation of the existing scheme.

STRATEGIC CONTEXT

16. Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of Schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it. The Isle of Wight council tax reduction scheme is known as Council Tax Support (LCTS).

LCTS needs to be considered in the context of the council's overall Budget strategy and whilst separate to, it is an important consideration in the context of the council's budget strategy and the financial impact on the ability to deliver services. It also needs to be consistent with the Corporate Plan priorities that seek to ensure the following:

- A financially balanced and sustainable council.
- Vulnerable people are supported and protected.
- People have a place to call home and can live with independence.
- People take responsibility for their own health and wellbeing.

- All young people will have the best start in life so that they can fill their potential.
- Community needs are met by the best public services possible.

CONSULTATION

17. The Local Government Finance Act 1992 (as amended) states the circumstances when consultation must take place with both the public and major precepting authorities.
18. Where an authority considers the replacement of their existing scheme, then full consultation is required. Where the scheme is to remain unchanged, then no consultation is required.
19. The recommendation made in this report is to maintain the current level of support. Minor changes in respect of the Infected Blood Scheme payments are to be made using the existing Exceptional Hardship Fund, which is part of the existing current scheme, and will not require the need to consult.

FINANCIAL / BUDGET IMPLICATIONS

20. The amount of LCTS being provided has reduced significantly since its introduction in 2013.
21. The total expenditure at 1 April 2013 was £13.6 million and at 3 August 2018 the expenditure is estimated at £10.1 million, a reduction of £3.5 million which has already been reflected in previous years the budgets. This is due to both a reduction in caseload and the changes to the working age scheme since 2013.
22. A breakdown of the current LCTS expenditure is shown below:

	Pension age	Working age
No. of claimants	5543	5618
Cost (2018)	£6,045,021	£4,123,521

23. It should be noted that the authority cannot vary the level of LCTS support provided to pension age claimants.
24. In considering Option 1 - the reduction of support to working age cases to 65 per cent (a further reduction of 5 per cent), has considered both the potential savings and the recovery / collection levels of council tax.
25. The following potential savings have been identified across the LCTS claimant caseload and the split in categories:

Based on a further five per cent reduction to working age claims	Pension age	Working age (vulnerable)	Working age (employed)	Working age (other)
No. of claimants	5543	3477	546	1541
Cost (2018)	£6,045,021	£2,528,685	£244,478	£1,030,069
Savings against current scheme	Nil	£201,128	£35,317	£83,844

26. Potential Savings of £320,000 have been identified as shown in the table above.

Council tax in year collection summary.

27. There has been a gradual reduction in the overall council tax year on year collection figures from 97.80 per cent to 97.37 per cent of all council tax monies collected in year. These figures are taken from the annual council tax in year collection recorded rates. It should however be noted that the level of council tax liability to collect each year has risen from £68.820 million in 2013 to £90.237 million in 2018.

Date	liability	receipts	collection/rate	outstanding
2012-2013	£68,820,136	£67,307,674	97.80%	£1,512,461
2013-2014	£71,809,636	£70,138,623	97.67%	£1,671,013
2014-2015	£75,228,421	£73,448,016	97.63%	£1,780,405
2015-2016	£78,290,900	£76,504,564	97.72%	£1,786,336
2016-2017	£83,945,132	£81,838,764	97.49%	£2,106,368
2017-2018	£90,236,837	£87,862,657	97.37%	£2,374,180

28. Figures extracted from current years overall collection data taken at 1 October; show that in comparison with collection levels at the same point as last year, there has been a further reduction of 0.31%.

Council tax collection levels of LCTS working age cases

29. The table below provides an indication of the percentage level of council tax collection for LCTS claimants for each year. For the working age employed and working age unemployed categories there is a continual reduction in the level of collection rates.

Date	Working age vulnerable	Working age employed	Working age other – (unemployed)
2014-2015	100.00%	83.67%	71.64%
2015-2016	83.38%	83.40%	71.81%
2016-2017	81.57%	82.05%	71.42%
2017-2018	83.10%	81.02%	70.07%

30. The amount of council tax still to be collected and undergoing recovery action from LCTS applicants amounts to in excess of £1 million since the commencement of the LCTS scheme on 1 April 2013.
31. It can be seen from the above, that any further reduction in support for working age applicants is not likely to produce the full level of suggested savings as consideration needs to be made to the ongoing issues with collection rate levels from applicants on a low income.

LEGAL IMPLICATIONS

32. Each year the council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A Local Government Finance Act 1992 and to either maintain the scheme or replace it.
33. Where the council decides to replace the current scheme, the schedule requires full consultation with the public and all major precepting authorities. No consultation is required where the existing scheme is maintained but ratification by Full Council is required.

EQUALITY AND DIVERSITY

34. The council has to comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief, pregnancy and maternity, and marriage/civil partnership). The former equality impact assessment has been reviewed and revised in respect of the recommendation set out within this report to enable councillors to take into consideration and if necessary mitigate the impacts as part of the decision making process.
35. The equality impact assessment for the proposed CTS is attached at Appendix 1 to this report and is required to have been read by Full Council members before making any decision on the scheme.
36. The council introduced an exceptional hardship scheme in 2016. This allows any claimant to apply for additional support up to the full level of their council tax liability, and will continue to provide additional support above the LCTS scheme provision to those deemed to be in genuine hardship.

OPTIONS

37. The following five options have been considered for the 2019/20 Council Tax Reduction scheme:

Option 1 - The need to review the level of support, given the overall costs of the scheme and whether the maximum level of support for working age cases should be reduced to 65 per cent (from the current maximum level of 70 per cent);

Option 2 - To begin to develop options for an alternative council tax reduction banded scheme for consideration and potential implementation with effect from 1 April 2020 to reduce the administrative burden placed on the council by the introduction of Universal Credit.

Option 3 - To introduce a minimum level of LCTS entitlement of either £2 per week or £4 per week to qualify for any reduction towards a person's council tax liability.

Option 4 - To disregard the new Infected Blood Scheme payments in line with changes made by government to the housing benefit scheme rules. Five payment schemes have provided financial support to people infected with HIV and/or hepatitis C as a result of contaminated National Health Service blood or blood products. These schemes are run by: The Eileen Trust, The Macfarlane Trust, MFET Ltd, The Skipton Fund and The Caxton Foundation. Payments from these schemes are fully disregarded in housing benefit and can be achieved without consultation in LCTS using the Exceptional Hardship Fund policy. Any applicants receiving the new Infected Blood Scheme Payments will be given additional support, if required, through the exceptional hardship facility that already exists within the Council Tax Reduction.

Option 5 - To maintain the current LCTS scheme but allowing for any minor adjustments to applicable amounts and non-dependant charges in line with housing benefit and Council Tax Reduction scheme for pension age applicants.

RISK MANAGEMENT

38. In deciding whether any of the options should proceed, the review has examined each of the options in turn. Details are provided below:

Option 1 – reduce support to 65 per cent.

- The risk of adopting a lower level of support for working age cases is relatively high. The requirement to pay additional council tax by those on low incomes may inevitably lead to further losses in collection of council tax as demonstrated within this report and place low income households in financial difficulties.

Option 2 –To begin to develop options for an alternative council tax reduction banded scheme due to the implementation of Universal Credit

- It is recognised that there is a need to simplify the existing scheme and that it will not continue to be effective once a large number of working age applicants move over to Universal Credit. The large volume of changes to Universal Credit awards potentially each month mean that currently, taxpayers who receive LCTS can receive multiple council tax demands and continued changes to their instalments.

- The development of a new scheme however will require significant work and is not practical to implement such a major change for 2019 without significant risk as the work to model and test various options has to be fully investigated;

Option 3 - To introduce a minimum level of LCTS entitlement of either £2 per week or £4 per week

- The risks for this option are the same as Option 1.

Option 4 - To disregard the new Infected Blood Scheme payments in line with changes made by government to the housing benefit scheme rules:

- The number of cases affected by this change is unknown but expected to be extremely small. The current scheme with its exceptional hardship fund provision can adequately assist with such cases;
- There are no identified risks if this approach is accepted.

Option 5 - To maintain the current LCTS scheme but allowing for any minor adjustments to applicable amounts and non-dependant charges in line with housing benefit and Council Tax Reduction scheme for pension age applicants.

- Maintaining the current scheme is a low risk option as the scheme has already been established and implemented;
- It is recognised however that this is a short term measure and that Option 2 to deal with the issues caused from Universal Credit administration should be progressed to enable a longer term solution.

EVALUATION

39. Considering the results from the review of the LCTS scheme, it is clear that any further reductions in support as identified by Options 1 and 3 are not likely to produce significant savings and it is likely that there would be a further reduction in council tax collection levels.
40. It is essential to begin to progress Option 2. Additional time will be required to fully develop and implement such a scheme and it is not possible for a new scheme to be implemented in time for 2019 without the necessary design, testing, evaluation and required consultation. There is a need to produce an administratively simple scheme able to adequately deal with the administrative difficulties posed by Universal Credit. Implementation of a revised council tax reduction scheme for working age claimants in 2020 will allow sufficient time and reduce the level of risk.
41. It is anticipated that Option 4 will affect very few applicants (if any) and can be accommodated within the current exceptional hardship policy provisions.

42. Option 5 is the lowest risk option at this time, and by maintaining the current scheme for 2019/20 will allow time to develop the new scheme from 2020.

RECOMMENDATION

- 43.
- (i) Option 2 - To begin to develop options for an alternative council tax reduction banded scheme for consideration and potential implementation with effect from 1 April 2020, to reduce the administrative burden placed on the council by the introduction of Universal Credit.
 - (ii) Option 4 – To disregard the new infected Blood Scheme payments in LCTS. Payments of financial support are fully disregarded in housing benefit and can be achieved without consultation in LCTS using the Exceptional Hardship Fund
 - (iii) Option 5 - To maintain the current LCTS scheme but allowing for any minor adjustments to applicable amounts and non-dependant charges in line with housing benefit and Council Tax Reduction scheme for pension age applicants

APPENDICES ATTACHED

44. [Appendix 1](#): Local Council Tax Support scheme policy 2018/2019
[Appendix 2](#): Equality impact assessment council tax support scheme

BACKGROUND PAPERS

Exceptional Hardship Fund Revised Draft Policy

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