



PAPER C

Purpose: For Decision

Committee report

Committee	FULL COUNCIL
Date	20 NOVEMBER 2019
Title	COUNCIL TAX REDUCTION SCHEME 2020/21
Report of	THE DEPUTY LEADER AND CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. Each year the council is required to review its local Council Tax Support (CTS) 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
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 majority of authorities within England, the council has changed its scheme each year for a number of reasons including:
 - adjusting the level of support in line with the funding available from central government; and
 - to aid administration
4. This report details the proposed changes and makes recommendation to members for the 2020/21 scheme to introduce a new income banded grid scheme for working age applicants with effect from 1 April 2020 to reduce the administrative burden placed on the council by the introduction of Universal Credit.

BACKGROUND

5. The national Council Tax Benefit Scheme was abolished by central government on 31 March 2013. Under that scheme claimants on very low incomes could get 100 per cent of their council tax paid. The government paid a grant in respect of the benefit given which meant that there was no cost falling on the council.

6. CTS was introduced by central government 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.
7. Since that time, funding for the CTS has been amalgamated into the settlement funding assessment (SFA) for each local authority as determined by central government. The council's SFA has reduced significantly each year since 2013 and it is no longer possible to identify the amount of funding that specifically relates to CTS.
8. Under the local scheme, the cost of CTS is expressed as a discount and results in a reduction in the council tax base. This has a financial impact on the Isle of Wight Council, as well as the police and local preceptors. Police funding is paid directly to the police and crime commissioner for Hampshire. For local town and parish council preceptors the funding relating to them is included with the Isle of Wight Council's funding which is then apportioned and passed on to individual town and parish councils.
9. The current support scheme created by the council 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.
10. 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 CTS can only be made to the working age scheme.
11. 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.
12. A CTS exceptional hardship fund was introduced during 2016/17 to recognise the potential impacts to some low-income households that might be faced with genuine hardship as a result of the CTS 2016/17 scheme changes agreed by Full Council 20 January 2016. This provision was reviewed again by Full Council 18 January 2017 and continues to provide support for those in genuine hardship. This requires individual applications and takes into account individual circumstances including the claimant's income and essential outgoings.

The main issues with the current scheme

13. There are a number of issues with the current scheme that will need addressing if the system is to continue to provide effective support to low income taxpayers and also if the Council is able to provide the service in an efficient manner. The main issues are as follows:
- The introduction of full-service Universal Credit for working age applicants.
 - The need for a simplification of the scheme.

Each of the above are examined in detail below.

Council tax reduction and the full service roll out of Universal Credit

14. The introduction of Universal Credit within the area has, as experienced in all other local authority areas, brought a number of significant challenges to both the administration of council tax reduction, confusion for the customer because of changing council tax bills and therefore the collection of council tax generally. All Local Authorities are now experiencing the following:
- A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to council tax reduction entitlement. On average 40 per cent of Universal Credit claimants have between eight and 12 changes in entitlement per annum. These changes result in amendments to council tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection.
 - Confusion for the customer as a result of the number of changes being made following the number of changes to their Universal Credit case.
 - The reluctance of Universal Credit claimants to make a prompt claim for council tax reduction leading to loss of entitlement.

15. It is clear that the existing means tested Council Tax Support scheme, which is too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area. The move to a new more efficient scheme from 2020 is now imperative

The need for a simplified approach to the Council Tax Support Scheme.

16. Notwithstanding the introduction of Universal Credit, the existing scheme is based on an 'old fashioned' means tested benefit scheme. It has major defects namely:
- it is complex for customers to understand and is based on a complex calculation of entitlement;
 - the administration for staff is complex, with staff having to request significant amounts of information from applicants;
 - staff have to undergo significant training to be proficient in processing claims;

- the timescales for processing applications is lengthy mainly due to the complexity and evidence required to support the applications; and
 - the scheme is complex when compared to other discounts for council tax - for example, there are 24,217 single person discount (SPD) claimants compared to 10,576 CTS claimants, but the administrative input for SPD is considerably less onerous.
17. Clearly there is a need now to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the costs of administration.

The proposed approach for the 2020/21 Council Tax Support Scheme

18. In view of the problems being experienced with the current scheme, it is proposed that an alternative approach be taken from 2020/21. The approach has been to fundamentally redesign the scheme to address all of the issues with the current scheme and in particular:
- a) the problems with the introduction of full-service Universal Credit; and
 - b) the significant increase in administration costs due to the high level of changes received in respect of Universal Credit;
19. Work has been ongoing since January 2019 on a new scheme which is now nearing completion. Consultation has been undertaken with the public and the precepting authorities. If accepted by the council, the new scheme would take effect from 1 April 2020. The consultation considered two approaches and the following proposed scheme is the one most popular with both the public and preceptors and also is the one recommended for implementation.
20. The proposed new scheme has a number of features as follows:
- a) The overall expenditure (cost) of the scheme will remain broadly as at present, however some savings have been factored in due to level of spend compared to the amount of grant received.
 - b) The changes can only be made to the working age schemes as the current schemes for pensioners is prescribed by central government.
 - c) The current means tested scheme will be replaced by a simple income grid model as shown below as 'income grid 2' which was the preferred option from the consultation – see consultation section below.

See next page.

Band	Level of CTR	Couple with no children Income per week	Couple with children Income per week	Single parent with two or more children Income per week	Single parent with one child Income per week	Single person Income per week
1	70%	in receipt of a disability benefit				
2	70%	in receipt of a passported benefit				
3	70%	£0.00 - £115.00	£0.00 - £250.00	£0.00 - £210.00	£0.00 - £140.00	£0.00 - £75.00
4	60%	£115.01 - £165.00	£250.01 - £300.00	£210.01 - £260.00	£140.01 - £190.00	£75.01 - £125.00
5	40%	£165.01 - £215.00	£300.01 - £350.00	£260.01 - £310.00	£190.01 - £240.00	£125.01 - £175.00
6	20%	£215.01 - £265.00	£350.01 - £400.00	£310.01 - £360.00	£240.01 - £290.00	£175.01 - £225.00

- d) It is proposed that the highest level of discount will be set at a maximum level of liability (70 per cent) and all current applicants that are in receipt of a 'passported benefit' such as Income Support, Jobseeker's Allowance (income based) and Employment and Support Allowance (income related) receive maximum discount;
- e) It is proposed that the highest level of discount will be set at a maximum level of liability (70 per cent) and all current applicants that are in receipt of a 'disability benefit' such as Disability Living Allowance or Personal Independence Payments receive maximum discount.
- f) Mirror the amendment to the housing benefit national scheme to disregard Infected blood payments as income and capital. These schemes are run by the Eileen Trust, the McFarlane Trust, MMEF Limited, the Skipton Fund and the Caxton Foundation.
- g) As with the current scheme, the payment of CTS will be limited to council tax band C level. This means 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.
- h) All other discount levels are based on the applicant's (and partner's, where they have one) net income.
- i) The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and/or dependants.
- j) Where an applicant had non-dependants living with them, a standard deduction of £2 per week will be made. This is a significant change and

means that the administration of the scheme will be more straightforward while also protecting low income families where adult sons and daughters for example remain at home.

- k) To encourage work, a standard £25 per week disregard will be provided against all earnings for all applicant types. This will take the place of the current standard disregards and additional earnings disregards. Where a family also receives a childcare disregard, the income levels in the 'grid scheme' are set at a higher rate.
- l) Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded and, in addition, the support component of Employment and Support Allowance and Carer's Allowance will also be disregarded, again providing additional protection with the scheme.
- m) The disregard of Carer's Allowance as an income is a significant change as this benefit is currently taken into account within the scheme. Carers are only able to earn up to £123 while in receipt of Carer's Allowance. Therefore, this change will assist those customers who claim Carer's Allowance as they are unable to maximise their earned income.
- n) Child benefit and child maintenance will continue to be disregarded.
- o) The total disregard on war pensions and war disablement pensions will continue.
- p) The capital limit under the new scheme will be the same as at present namely £6,000.
- q) The current approach for self-employed applicants and directors will be maintained with the use of a minimum income floor.

How the new scheme will address the problems with the current Council Tax Support Scheme

- 21. The options to start providing a simplified new scheme and by taking a more council tax discount approach, will start to address the problems associated with the increased administration caused by failings in the current scheme and Universal Credit as follows:
- 22. **The scheme will require a simplified claiming process.** Applicants will see a significant reduction in the claiming process and where possible CTS will be awarded automatically. These changes will have the following distinct advantages namely the following:
- 23. **Speed of processing** – claims will be able to be calculated promptly and automatically without the need to request further information which inevitably leads to delays.

24. **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining the high collection rates currently achieved.
25. **The income bands are sufficiently wide to avoid constant changes in discount.** The current CTS is very reactive and will alter even if the overall change to the person's liability is small. This is leading to constant changes in council tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of council tax demands. The effect of this is that council tax collection is reduced. The new scheme, with its simplified income banding approach will have the following advantages:
- Only significant changes in income will affect the level of discount awarded.
 - Council taxpayers who receive CTS will not receive multiple council tax demands and adjustments to their instalments.

Transition to the new scheme and the Exceptional Hardship Scheme

26. The council must be mindful that any change in scheme or a transition to a new scheme may result in a change to the entitlement of certain applicants.
27. Inevitably, with any change in scheme, there will be both winners and losers although the proposed scheme has been designed to protect the most vulnerable. While the new scheme has been designed to protect vulnerable groups and, where possible, minimise any reductions in entitlement, it is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the applicant.
28. This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the CTS.

STRATEGIC CONTEXT

29. CTS 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 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

Public consultation

30. A full and comprehensive consultation exercise was undertaken from 10 June to 5 August 2019 as follows:

<u>Stakeholders</u>	<u>Methodology</u>
1. Existing claimants (both working age and pensionable age approximately 10,500).	Individual postcards to inform of the LCTS potential changes “slogan If you receive local council tax support, new changes could affect you”. Online survey via questionnaire explaining proposals and likely impact. Paper survey if requested.
2. Council taxpayers (approximately 71,456) and service users generally	Online survey via questionnaire explaining proposals and likely impact. Paper survey if requested.
3. Interested organisations and groups.	Workshops were held with partners as well as the Anti-Poverty Group to ensure that as many organisations and communities were aware of the proposed change to gather their comments. In addition, the Anti-Poverty Group partners were e-mailed detailing the consultation on two occasions to circulate and raise awareness with their customers. Email to all parish and town council clerks to raise awareness and seek their views Letter sent to the police and crime commissioner seeking views. 199 responses to the consultation were received.
<u>General awareness</u>	
Provision of information and awareness raising of changes and proposals	www.iwight.com Press releases. Face to face communication at customer service points. The council’s Facebook and Twitter sites (weekly promotions). Information on the front page of iwight.com.

31. Details of the consultation response analysis are set out in Appendix 1. The consultation was responded to by 199 residents, which for validation purposes provided confidence in the outcome of the consultation. Of the 199 responses, 22 per cent stated they were currently receiving CTS. Respondents were also given the opportunity to provide additional comments when asked why they disagreed with an option and what alternatives they would like to see considered, which are set out in Appendix 1a.
32. The consultation explored two income grid schemes to deal with the problems being experienced with the current scheme to alleviate the issues caused by the introduction of full-service Universal Credit and the significant increase in administration costs due to the high level of changes received in respect of Universal Credit. The majority of respondents:
- agreed that the council should keep a scheme to support residents;
 - agreed to option 2 of the income grid scheme;
 - agree to option 2a of the income grid scheme;
 - agreed to option 2b of the income grid scheme;
 - agreed to option 2c of the income grid scheme;
 - agreed with the principle to disregard any payment made under the infected blood and thalidomide regulations in full as capital and income, in line with Housing Benefit regulations;
 - disagreed keeping the scheme as it is currently;
 - disagreed in reducing the maximum level of support to 65 per cent or 60 per cent;
 - disagreed with increasing council tax levels;
 - disagreed with finding savings from reducing or cutting other council services.

The full details of the consultation are set out in appendices 1 and 1a.

33. Appendix 1b provides a summary of the responses received from town and parish councils in terms of their views on the options to change the CTS scheme. There were 11 responses received from town and parish councils.
34. The latest position on claimants and cost of support between the different categories is set out in the table below:

	Average number of claimants 2013/14	Average number of claimants 2015/16	Average number of claimants 2016/17	Average number of claimants 2017/18	Average number of claimants 2018/19	Cost of support 2013/14 £M	Cost of support 2015/16 £M	Cost of support 2016/17 £M	Cost of support 2017/18 £M	Cost of support 2018/19 £M
Pensioner	6,907	6,341	5,969	5,678	5,385	£6.278	£5.934	£5.820	£5.867	5.992
Working age enhanced premiums (disabled)	2,754	3,320	3,287	3,272	3,441	£2.579	£3.456	£2.891	£2.965	2.726
Other working age	4,943	3,675	2,838	2,447	1,915	£3.666	£2.194	£1.767	£1.661	1.315
Council tax support	14,604	13,336	12,094	11,397	10,741	£12,523	£11,584	£10,511	£10,493	10,033

35. It can be seen from the above table there is a continuing reduction in the number of CTS claimants but the cost of claims for pensionable age claimants has risen slightly. One of the factors for the reduction in numbers is as a result of the changes made to the 2016/17 working age scheme that sought to reduce the level of support available as well as further changes made in subsequent years. There was an average band D council tax increase of 4.54 per cent including the police and town and parish councils' precepts. The reason that 'average' is used is due to the town and parish council precepts which vary across the whole area.
36. The projected outturn for 2019/20 is a cost of £10.3 million, which is the overall reduction in council tax as a result of the council tax support given. This relates not just to the council element of council tax but also to the police and town and parish council precepts. The funding that relates to the police precept is paid directly to them. The council and town and parish council element is included with the council's funding and the relevant element is then passed onto individual town and parish councils.
37. Since 2012/13 the number of claimants and the cost of council tax support given have reduced by 26.45 per cent in terms of caseload and 19.88 per cent in terms of CTS awards. The biggest impact, however, is that the funding from the government has been absorbed into the SFA as part of the local government finance settlement and that this has been reduced significantly year on year. Since 2012/13 indicative funding relating to CTS has been effectively cut by £6.5 million (54 per cent reduction).
38. A summary of the average impact on claimants of the potential changes is set out in Appendix 3. In terms of the average weekly loss of support in both monetary values and the number of claimants potentially impacted by these options the table below provides a summary:

<u>Option</u>	Number of claims negatively impacted by over £2 per week	Number of claims positively affected by over £2 per week
Option 1: Introducing an 'income grid scheme'	276	107
Option 2: Introducing an 'income grid scheme' (excluding the options below)	817	101
<u>Options based on Option 2 'income grid scheme'</u>	Number of claims better off	
Option 2a: Disregarding Carer's Allowance	52*	
Option 2b: Replacing the current earnings disregards with a standard disregard of £25 per week	612*	
Option 2c: Replacing the current Non-Dependant deduction rates with a standard deduction of £2 per week	101**	
Option 3: Disregarding any Infected Blood or Thalidomide payment as income or capital	Information unknown as is not available in current caseload	

*This figure does not include those cases which automatically receive 70 per cent maximum support.

**This figure does not include those cases which fall into the vulnerable band of the income grid scheme

39. There will also be an added impact of any council tax increase. There was an average council tax increase of 4.54 per cent in 2019/20 (including the police and town and parish council precepts). Everyone per cent increase made on the average council tax band D would result in an increase of £18.88 and this would increase the amount of CTS awarded.
40. Examples of impacts are also provided within Appendix 3 to enable members to understand what the changes to the award levels of CTS could be if they were applied and how much more a person might have to pay towards their council tax.
41. There remains provision through the Exceptional Hardship Fund by taking into account individual circumstances, including the claimants' income and essential outgoings for a claimant to demonstrate that they require an exceptional hardship award as a result of 'genuine hardship'. This discretionary assistance can be applied for to assist a claimant with any shortfall between their CTS and council tax liability in accordance with the policy's intentions. This is a potential mitigation action where considered appropriate.
42. The equality impact assessment completed during 2018 has been updated following the consultation exercise and this is set out in Appendix 2 to this report. The equality impact assessment is based on the scheme options for 2019/20 including the recommended changes.
43. The government has determined that under the new CTS scheme arrangements that there can be no reduction for council tax support to pensioners.
44. Within the assessment of CTS, there will remain a number of incomes or benefits that are either fully disregarded or have a specific level of disregard applied to them in determining the level of income that is used within the calculation of CTS. The disregards from certain incomes received assist the disabled, families and working claimants to meet some of their household and other costs.

COUNCIL TAX SUPPORT SCHEME POTENTIAL CHANGES

45. Taking into account the updated financial position, the consultation, equality impacts, and the evaluation set out above the potential CTS scheme options can be summarised as delivering the following:

BASELINE FIGURE (what the scheme would cost in 2020/21 if we remain with current CTS scheme shown at 2019-20 precept levels)	£10.3 million
OPTION	Saving (-) against baseline
Option 1: Income grid scheme	-£35,346
Option 2: Income grid scheme (with no additional options)	-£254,760
	Cost against Option 2
Option 2a: Disregarding Carers Allowance	£51,831

Option 2b: Changing earnings disregard to single rate of £25 per week	£40,709
Option 2c: Changing non-dependant deductions to single rate of £2 per week	£14,672
Overall net saving of Option 2: Income grid scheme (with all additional options) against Baseline	-£147,548*
Option 3: Disregarding Infected Blood Payments as income and capital	not able to model on caseload

*This figure reflects the total savings before deducting the share for the police and town and parish council's

FINANCIAL / BUDGET IMPLICATIONS

46. The amount of CTS being provided has reduced significantly since its introduction in 2013.
47. The total expenditure at 31 March 2019 was £10 million and at 30 August 2019 the expenditure was at £10.3 million. Since 2013 there has been a reduction in expenditure of £3.3 million which has already been reflected in previous years budgets. This is due to both a reduction in caseload and the changes to the working age scheme since 2013.
48. The assumed settlement funding assessment (SFA) grant towards CTS during 19/20 = £5.48 million. A one-year spending review was held in September 2019 although specific allocations to individual local authorities are not expected to be announced until December 2019. The expectation is that the 2019-20 forecast figures will be rolled over to 2020-21 which would mean that the 2020-21 CTS grant would remain at the 2019-20 level of £5.48 million. This means there is currently a funding gap of £3.24 million.
49. In addition to the wider considerations in the report including the outcome of the consultation, the impact on claimants and the equality impact assessment the overall financial position of the council needs to be taken into account.
50. The funding cuts from government are significant and it is not realistic to reduce CTS to match the level of cuts to bridge the gap which is currently £3.24 million.
51. The current scheme requires all working age claimants to pay a minimum of 30 per cent of their council tax, which means a maximum of 70 per cent support may be provided.
52. A breakdown of the current CTS expenditure is shown below:

	Pension age	Working age
No. of claimants	5,310	5,266
Cost (2019)	£6 million	£4.3 million

53. It should be noted that the authority cannot vary the level of CTS provided to pension age claimants.

LEGAL IMPLICATIONS

54. The council will need to set a lawful and balanced budget and council tax level for 2020/21 at the Full Council meeting on 26 February 2020.
55. The Local Government Finance Act 1992 (as amended) stipulates that for each financial year, each billing authority must consider whether to revise its scheme, or to replace it with another scheme. The authority must make any revision to its scheme no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
56. In finally deciding what form the local CTS should take, the council will need to take into account the equality impact assessment of the options, what mitigating actions can be taken to reduce the impact, the results of the consultation exercise, the wider budget position, and the potential impact on council taxpayers and users of services.
57. There must be proper consideration of the impact of the proposals on relevant groups and Full Council members are required to have read the equality impact assessment to enable them to have due regard to the public sector equality duty before making a decision.
58. Section 10 of the Welfare Reform Act 2012 added a new section 13A to the Local Government and Finance Act 1992 so that, in respect of dwellings in England, a person's liability to pay council tax is reduced in accordance with the billing authority's CTS. Liability may be reduced "to such an extent as the billing authority thinks fit". Billing authorities can apply a reduction in particular cases or by determining a class of case. Liability for council tax can be reduced to nil.
59. The framework within which billing authorities must devise their council tax reduction schemes is contained in section 13A of the Local Government Act 1992 (as amended).

EQUALITY AND DIVERSITY

60. 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). An equality impact assessment has been completed in respect of relevant proposals as part of the decision-making process to enable members to take into account and if necessary, mitigate the impacts as part of the decision-making process.
61. The equality impact assessment for the proposed local Council Tax Support Scheme is attached at Appendix 2 to this report and is required to have been read by Full Council members before making any decision on the scheme.

62. A summary of some of the key findings from the equality impact assessment has been provided earlier within the report. This has indicated that the present working age CTS scheme will continue to provide more support to those people in receipt of a disability or who have a carer in the household, than those people without a disability or without a carer in the household.
63. Furthermore, 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 mitigating actions to those deemed to be in genuine hardship and requiring additional support above the CTS scheme provision.

OPTIONS

64. There are three main options to consider:
 - a) To agree a local scheme that is the same as the existing scheme currently in place for 2019/20 and to bridge the level of funding gap currently estimated at £3.24 million, which will need to be met from reducing other council services.
 - b) To implement an income grid scheme for working age applicants with effect from 1st April 2020 to reduce the administrative burden placed on the council by the introduction of Universal Credit as well as the constant changes to council tax payment plans to assist customers with budgeting.
 - c) To implement a local scheme that varies certain elements of the existing scheme so that the CTS scheme continues to bring the working age CTS scheme in line with housing benefit and the pensionable age CTS scheme changes proposed by central government.

RISK MANAGEMENT

65. The financial risks relate to the uncertainty of future growth in cases and eligibility and the potential impact on council tax collection rates. The projected level of support with estimated collection rates will be included within the council tax base calculations in determining the total of council tax income for 2020/21.
66. As implied in the council tax recovery section the assumption is that overall ultimate collection levels will remain broadly the same of the additional council tax to be collected from working age claimants impacted. This is uncertain but considered prudent.
67. To introduce an income grid scheme may impact marginally on the council's collection rate levels to a lower level than predicted as a result of making further changes to the scheme and increasing the council tax levels during 2020/21.

EVALUATION

68. Universal Credit has been fully rolled out and more local authorities are considering and looking at how the administrative burden of monthly notifications of earning changes received from the DWP are affecting both the benefit

processing teams as well as the effects this is having on council tax account rebilling and therefore recovery.

69. Local authorities are now looking at changing their schemes to a banded approach to deal with the amount of changes being sent through from the DWP and ease the administrative burden as well as issues with council tax account monthly changes and collection.
70. The scheme is complex for customers to understand and is based on a complex calculation of entitlement. By bringing in some options to simplify the scheme the administration will be alleviated, and customers will have a better understanding of their entitlement to CTS support.
71. Without an income grid scheme, CTS customers paying their council tax on a monthly basis, may face constant changes to their council tax payment plans, which given their limited income will potentially create difficulties with budgeting, creating confusion and therefore the need to contact the benefits and council tax team for additional advice.
72. Option A - in the context of the council 's financial position and the provisional local government finance settlement is considered unaffordable, but consideration should be had as to the potential impact with the ability of CTS claimants to pay increased levels of council tax.
73. Option B
 - (i) To retain a CTS reduction scheme for working age council tax payers.
 - (ii) Introduce an 'income grid scheme' for all working age applicants, to replace the current means tested approach, but with the addition of the following options.
 - (iii) To implement option 2 as the preferred income grid scheme
 - (iv) Disregarding Carer's Allowance which is currently taken into account as an income in the calculation.
 - (v) Replacing the three current earnings disregards with a standard £25 disregard, irrespective of the person circumstances.
 - (vi) Replacing the five current non-dependant deduction rates with a standard deduction of £2 per week for each non-dependant in a household.
 - (vii) Continue to provide an exceptional hardship fund that would require individual applications and take into account individual circumstances including the claimant's income and essential outgoings to assist those that are deemed to be in 'genuine hardship' and receive additional assistance based on need.
74. Option B - will provide a scheme which deals with the issues being faced by the introduction of full-service Universal Credit and the significant increase in administration costs due to the high level of changes received in respect of Universal Credit. In addition, the changes will create less confusion for our customers as they will not receive a potential council tax bill every month and will aid collection for the Revenues Department.

75. Option B - also continues to provide an exceptional hardship fund for those that are deemed to be in 'genuine hardship'. This not only provides some additional assistance based on need for those that recognises there may be instances where individual circumstances require some additional support through genuine hardship in accordance with the funds policy as per Appendix 5.
76. Option C - currently under housing benefit regulations, any payment made to a person through Infected Blood schemes run by the NHS Business Services Authority, the Eileen Trust, the Macfarlane Trust, MFET Ltd, the Skipton Fund, the Caxton Foundation and the Thalidomide Health Grant are fully disregarded as income and or capital.

RECOMMENDATION

That Full Council considers:

1. To agree a local scheme that is the same as the existing scheme currently in place for 2019/20 and to bridge the level of funding gap currently estimated at £3.24 million, which will need to be met from reducing other council services.
2. To implement an income grid scheme for working age applicants with effect from 1st April 2020 to reduce the administrative burden placed on the council by the introduction of Universal Credit as well as the constant changes to council tax payment plans to assist customers with budgeting.
3. To implement a local scheme that varies certain elements of the existing scheme so that the CTS scheme continues to bring the working age CTS scheme in line with housing benefit and the pensionable age CTS scheme changes proposed by central government.

And agrees that:

4. the Local Council Tax Reduction Scheme for 2020/2021 be adopted as set out from a combination of changes contained in Option B and C of the report and the CTS scheme policy as set out in Appendix 4 as follows:
 - (i) To retain a CTS reduction scheme for working age council tax payers that is deemed affordable.
 - (ii) To adopt the new council tax reduction scheme (CTR) as proposed as a grid model from April 2020 and implement option 2 as the preferred income grid scheme.
 - (iii) Disregard Carer's Allowance which is currently taken into account as an income in the calculation.
 - (iv) Replacing the three current earnings disregards with a standard £25 disregard, irrespective of the person circumstances.

- (v) Replacing the five current non-dependant deduction rates with a standard deduction of £2 per week for each non-dependant in a household.
- (vi) Mirror the amendment to the housing benefit national scheme (Infected blood payments where payments are disregarded).
- (vii) Continue to provide an exceptional hardship fund that would require individual applications and take into account individual circumstances including the claimant's income and essential outgoings to assist those that are deemed to be in 'genuine hardship' and receive additional assistance based on need.

APPENDICES ATTACHED

[Appendix 1: Summary of responses to consultation](#)

[Appendix 1a: Additional written text responses to the consultation](#)

[Appendix 1b: Comments received from parish and town councils to the consultation](#)

[Appendix 2: Equality impact assessment council tax support scheme](#)

[Appendix 3: Examples of impact on claimants](#)

[Appendix 4: Draft local scheme policy based on proposed option](#)

[Appendix 5: Draft exceptional hardship fund policy](#)

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