

**Report to:** Cabinet

**Date of Meeting:** 7 January 2019

**Report Title:** Council Tax Reduction Scheme 2019/20

**Report By:** Peter Grace, Assistant Director Financial Services and Revenues

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### **Purpose of Report**

To update Members on the results of recent consultation, and to make a recommendation to full Council for the Council Tax Reduction Scheme (CTRS) 2019/20 in respect of working age customers.

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### **Recommendation(s)**

- 1. To recommend to full Council that the preferred option in respect of the working age CTRS for 2019/20, is option 3.**
- 2. To authorise the Assistant Director, Financial Services and Revenues to uprate allowances, as required, when announced by the Government, and any relevant changes to the Prescribed Regulations.**
- 3. To approve the Council Tax Discretionary Reduction in Liability Policy for future years (Appendix 5)**

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### **Reasons for Recommendations**

The local authority is required to approve a Council Tax Reduction Scheme in respect of 2019/20 by 11 March 2019.

The recommended option retains 100% support for those most in need and at a total cost that is estimated to be similar to that of 2018/19.

## Background

1. From April 2013, councils have been required to adopt a local CTRS to replace the national council tax benefit scheme, which was withdrawn on 31 March 2013.
2. The local scheme only applies to working age customers.
3. The council is required to review the scheme each year.
4. This report sets out the options being considered for 2019/20.
5. The council consulted on what is option 2 in this report and subsequently following the results has produced option 3.

## Timetable of Next Steps

6. Whilst under the regulations the preferred scheme must be approved by 11 March 2019 at the latest, in practice, the scheme needs to be decided in January 2019 in order to determine the taxbase for the authority and to advise the other preceptors (East Sussex County Council, Fire Authority, Police & Crime Commissioner). Please see timetable below.

Action	Key milestone	Due date (provisional)	Responsible
Scheme option to be agreed and recommended to Cabinet	YES	7 January 2019	
Agreed option to be approved by Full Council	YES	13 February 2019	

## Current Council Tax Reduction Scheme

7. The current local scheme, which has been in place since April 2013, introduced the following changes to the national scheme:
  - set a minimum weekly award of £5
  - removed second adult rebate
  - increased non-dependant deductions
8. There are 9,978 people claiming CTR, of which 6,339 are of working age and 3,639 are pensioners. The amount that will be paid in council tax reduction for 2018/19 is in the region of £10.5m.

9. Hastings is the only East Sussex authority which has retained the original CTRS introduced in April 2013. If Hastings were to continue in 2019/20 with the same scheme, the amount paid out would be in the region of £11m.
10. It is therefore important to review the existing scheme in order to strike the right balance between protecting those on low incomes, and maintaining essential services in an environment of reduced funding.
11. To this end, the council engaged the services of Policy in Practice (PIP), a company who specialise in analysing the impacts of Welfare Reform. They also undertake modelling in respect of CTR schemes, by taking our data and applying known changes to benefits, tax and National Living Wage rates for the following year.

The options below are as a result of the modelling undertaken by PIP.

### **OPTION 1**

12. To continue with the same scheme which would see costs increase to around £11m, an annual increase of up to £500,000 (£70,000 attributed to HBC). Even by retaining the existing scheme, 58 claimants would lose support due to allowance changes.

### **OPTION 2**

13. Option 2 relates to the proposed changes we consulted on which were as follows:
  - increase the taper used in the calculation from 20% to 30% (see Appendix 2 for explanation)
  - introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner (see Appendix 2 for explanation)
  - restrict the amount of CTR to Band D level for E, F, G, and H property (properties are banded A to H)
  - introduce a flat rate earnings disregard of £17.50 per week (see Appendix 2 for explanation)
  - remove the Family Premium (see Appendix 2 for explanation)
  - introduce the 2 child restriction (see Appendix 2 for explanation).
14. If we were to introduce all the above changes, the annual spend on the scheme would be around £10.4m, representing an annual saving of around £100,000 (£14,000 for HBC).
15. As a result of these changes, 401 claimants would lose all support and 765 would lose more than £5 per week.

16. Compared to retention of the current scheme, employed households, of which there are 990, would see support reduce by 30% and self-employed households, of which there are 222, by 18%.
17. Those in receipt of out-of-work benefits, of which there are 5,127, would be relatively protected with support at similar levels to 2018/19, with the majority of them receiving 100% support.
18. There are currently 33 customers in Band E properties and 10 in Band F properties who would be impacted by the cap at Band D level.

### OPTION 3

19. Following the consultation (more details follow later in this report), changes were made to the proposed scheme. Option three was therefore modelled on the following criteria:

- increase the taper used in the calculation from 20% to 25% (reduced from 30%)
- introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner
- restrict the amount of CTR to Band D level for E, F,G, and H property (properties are banded A to H)
- retain the existing earnings disregards (removes the flat rate of £17.50) which are:

single person -	£5.00
couple -	£10.00
disabled -	£20.00
Lone parent -	£25.00

- remove the Family Premium
- introduce the 2 child restriction

20. If we were to introduce the above changes, the annual spend on the scheme would be around £10.5m, which would be very similar to the current year spend and around a £100,000 increase on the scheme that was subject to the consultation.

21. As a result of these changes, 242 claimants would lose all support and 555 would lose more than £5 per week which is significantly less than those losing out under the scheme that was subject to consultation ie 401 and 765.

22. Compared to retention of the current scheme, employed households would see a reduction in support of 20% (30% at Option 2) and self-employed households would see a reduction of 15% (18% at Option 2).

23. As with Option 2, out of work households would be relatively protected with support levels at a similar level to 2018/19.
24. As with Option 2, 33 claimants in Band E properties and 10 in Band F properties would be impacted by the cap at Band D level.
25. A summary of the options are set out in the table below.

Year/Scheme	Projected number of claimants	Projected annual spend	Additional/reduced cost to HBC compared to 2018/19
2018/19 (current scheme)	9,978	£10.5m	n/a
2019/20 (retaining current scheme) Option 1	9,920	£11.0m	+£70K
2019/20 (scheme subject to consultation) Option 2	9,577	£10.4m	-£14K
2019/20 (amended consultation scheme) Option 3	9,736	£10.5m	£0.00

25. Attached at Appendix 1 is a comparison of weekly support levels broken down into various categories which should give a clearer indication of where the support would be lost.

## Consultation

26. Full consultation with the public is required if changes are to be considered. Therefore a consultation exercise took place between 3 September and 28 October 2018.
27. The consultation was web based and customers were encouraged to use the council's computers located in the Contact Centre.

28. Voluntary sector partners were also asked to complete the survey, as was East Sussex County Council, our main preceptor. As at the date of writing, a response is still awaited.
29. A letter was sent to all existing working age recipients as these are the people most likely to be affected by the proposed changes.
30. The consultation documentation including background information and the questions asked are attached at Appendix 2.
31. Some 268 responses were received. A summary of their responses is attached at Appendix 3.
32. Having reviewed the responses it was clear that there were two particular proposed changes which had a majority (over 50%) response rate of 'NO'. These were as follows:
- do you agree we should increase the taper when calculating CTR?
  - do you agree that we should introduce a flat rate disregard of £17.50 for all earners?
33. Whilst the flat rate of £17.50 would be beneficial to single people and couples, it would have an adverse effect on single parents who currently receive a disregard of £25.00 per week.
34. Having taken into consideration the concerns highlighted, it was decided to run a further model, Option 3, which reduced the proposed income taper from 30% to 25% and removed the proposal to introduce a flat-rate earned income disregard, i.e. retain the existing disregards.

## **Equalities Impact Assessment**

35. An Equalities Impact Assessment has been undertaken, a copy of which is attached at Appendix 4.

## **Discretionary Council Tax Liability Reduction Policy**

36. Section 13A 1c of the Local Government Finance Act 1992 provides the Council with additional discretionary powers to enable it to reduce council tax liability where statutory discounts, exemptions and reductions do not apply.
37. The council already has a policy, please see Appendix 5.
38. This policy will help to mitigate the effect of the changes to the CTRS for those still experiencing severe financial hardship following the award of CTR.

## Anti-Poverty

39. As there will be residents who will be financially affected by the changes proposed, the Discretionary Reduction in Liability Policy as described above, will help to minimise the impact in cases of exceptional hardship.

## Conclusions

40. The following considerations have been made when trying to reach a view on what scheme should be approved for 2019/20 from the options set out in the report:

- Results from consultation
- Comments from voluntary sector organisations
- Impact on residents
- Potential impact on collection of council tax
- The council's budget position
- Continuation of 100% maximum CTR
- Computer system compatability

40. Taking the above into account, the preferred option would be Option 3, which delivers a scheme that is financially sustainable and minimises the impact on the majority of our residents.

41. However, it must be noted that the situation could change, for example, an increase in caseload, changes to the Universal Credit roll-out, which would have an impact on the cost projections.

42. Given the need to support those residents most in need, against the diminishing resources, along with the complexities of a changing benefit system, the determination of the scheme for 2019/20 has proved very time consuming and challenging.

43. The financial modelling undertaken by PIP has proved invaluable in identifying the most viable option.

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### Wards Affected

**ALL**

### Implications

Relevant project tools applied? No

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	NO
Crime and Fear of Crime (Section 17)	NO
Risk Management	NO
Environmental Issues	NO
Economic/Financial Implications	YES
Human Rights Act	NO
Organisational Consequences	NO
Local People's Views	YES
Anti-Poverty	YES

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### **Additional Information**

- Appendix 1 - Comparison of weekly CTR
- Appendix 2 - Background information to consultation
- Appendix 3 - Summary of consultation results
- Appendix 4 - Equalities Impact Assessment
- Appendix 5 - Discretionary Reduction in Liability Policy

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### **Officer to Contact**

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