

# Gloucester City Council

<b>Meeting:</b>	<b>Overview and Scrutiny Committee</b>	<b>Date:</b>	<b>28 October 2019</b>
	<b>Cabinet</b>		<b>06 November 2019</b>
	<b>Council</b>		<b>21 November 2019</b>
	<b>Council</b>		<b>30 January 2020</b>
<b>Subject:</b>	<b>Local Council Tax Support Scheme 2020/21</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>Yes</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Alison Bell, Intelligent Client Officer (Revenues &amp; Benefits)</b>		
	<b>Email: Alison.bell@gloucester.gov.uk</b>	<b>Tel:</b>	<b>396014</b>
<b>Appendices:</b>	<b>1. Proposed changes to Local Council Tax Support Scheme</b>		
	<b>2. Consultation response</b>		
	<b>3. People Impact Assessment</b>		

## FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Access to Information Rule 5 and Section 100B (4) of the Local Government Act 1972 (as amended) (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that to finalise the report we need to await updated financial information from Central Government, anticipated to be released in January 2020.

### 1.0 Purpose of Report

1.1 To seek approval to amend the Local Council Tax Support Scheme for 2020/21

### 2.0 Recommendations

2.1 Cabinet is asked to **RECOMMEND** that

- (1) the changes recommended to the 2019/20 Local Council Tax Support Scheme for 2020/21 be adopted as the approved scheme for Gloucester City Council
- (2) The scheme approved at 2.1 (1) above be updated to align with any legislation changes in January 2020 and to be implemented from 01 April 2020

2 Council is asked to **RESOLVE** that

- (1) the changes recommended to the 2019/20 Local Council Tax Support Scheme for 2020/21 be adopted as the approved scheme for Gloucester City Council
- (2) The scheme approved at 2.1 (1) above be updated to align with any legislation changes in January 2020 and to be implemented from 01 April 2020

### **3.0 Background and Key Issues**

Members will be aware that the current Local Council Tax Support (LCTS) scheme was approved and adopted at a meeting of full Council on 25<sup>th</sup> January 2019.

- 3.1 Council Tax charges are the means by which local residents make a contribution towards the cost of local services.  
Prior to April 2013 Council Tax Benefit was administered under a national scheme set by Central Government which allowed eligible local residents to claim up to 100% reduction from their Council Tax bill – subject to legislative and means tested income requirements. The Council were able to receive full funding from the Government to cover all of the Council Tax Benefit awards made.
- 3.2 From April 2013 Council Tax Benefit was abolished and replaced with a Local Council Tax Reduction scheme. Any person who is liable to pay Council Tax can apply for a reduction in their Council Tax under the Local Council Tax Reduction scheme. The scheme is not legislated by Central Government, rather each local authority now has its own scheme. Central Government no longer fully funds this locally administered award, as there was an expectation that Local Authorities would amend their local schemes to fund the shortfall
- 3.3 Data from 2017/18 shows that out of 326 authorities nationally only 37 are providing the levels of support available under the former council tax benefits scheme. The most common change made by local authorities has been the introduction of a 'minimum payment' which requires everyone to pay at least some council tax regardless of their income. In the 2017/18 year, 264 councils expected a 'minimum payment' to be made from each of the liable households within that authority
- 3.4 Gloucester City Council has, to date, not significantly altered its Council Tax support policy, however, the long-term sustainability of this is not a viable option. As funding from Central Government for Council Tax has reduced significantly, it is proposed that Gloucester City should amend its scheme from the 2020/21 year. These changes are required in light of wider changes in the welfare system and funding methodology, as other local authorities have done.
- 3.5 Furthermore, as the rollout of Universal Credit continues, it makes administrative sense to align Local Council Tax Support to Universal Credit. The traditional link between Housing Benefit (which will no longer be available to new working age

claimants) and Local Council Tax Support will not exist anymore, and it is essential the scheme is changed to assist those affected.

- 3.6 A public consultation exercise was undertaken between 09 August 2019 and 22 September 2019. This was promoted locally via the Council website, social media and engagement with local stakeholders such as advice agencies, housing associations and the Department for Work and Pensions
- 3.7 Our neighbouring districts plans have been considered whilst drafting this report, Cheltenham and Cotswold have already amended their schemes, Tewkesbury and Forest of Dean are reviewing their schemes for 2020/21, whilst Stroud are retaining the old scheme – this is at the time of drafting this report so may be subject to change.
- 3.8 **Pension Age Customers** - It is important to note that those customers who are of a pension age are **NOT** affected as Council Tax support for pensioners was never localised and remains under the jurisdiction of a national scheme
- 3.9 **War pensions income:** To note, we will continue to disregard £10 of the War disablement pensions and war widows pensions. In addition we will disregard the remainder of the War disablement element of a war pension and the war widows element of a war widows pension, when assessing a reduction under the local Council Tax Support scheme. Unlike other benefits, Universal Credit fully disregards war pensions and therefore households with war pensions will continue to be protected within the scheme as the migration to Universal Credit continues.
- 3.10 For working age claims there is a complex means-tested assessment involving multiple aspects of the household circumstances including income, capital, residents and relationships. Although the 2020/21 scheme will continue to retain a number of these complex areas, some will be removed making the scheme easier to administer and understand. In addition, it sets out a simplified way of managing claims from people receiving Universal Credit, which all working age households receiving welfare benefit support are migrating to over the next 5 years.
- 3.11 The main element of the proposal to create a minimum level of contribution to council tax of 10% will affect approximately 3,500 households and make a saving to the scheme of approximately £400k. The impact will be monitored and reviewed annually to ensure it remains viable within the operation of the scheme.
- 3.12 Other changes are largely operational administrative matters which will encourage collection and reduce the burden on the service and the customer through reduced billing and providing greater certainty over the level of support offered.
- 3.13 A main criticism of the current scheme for people who are working and claiming Universal Credit is that they are subject to an average of 6 to 7 changes per year each generating a council tax bill. Under the changes proposed it is expected that the number of revisions will be limited to the number experienced under legacy benefits. By limiting changes through the introduction of a tolerance limit this will be controlled, making recovery action easier and reducing the cost of producing multiple bills.

- 3.14 It should be noted that in response to comments made during the consultation, it was considered appropriate to revise or withdraw the following proposals which were being considered;
- To lower the level of a flat rate deduction for working non-dependants from £8.10 to £6.00 in recognition of the 10% minimum charge and references to the amounts causing potential hardship and being difficult to collect. The most vulnerable households will continue to be protected from changes as deductions are not made if higher levels of disability benefits are in payment. The amount will be subject to an annual review
  - To withdraw the proposal to make the level of non-dependant deductions more generous for pensioners. It is not considered appropriate at this time to add further protection to this group when reducing levels of support elsewhere
  - Not to withdraw extended payments from the scheme. Consultation responses did not support this proposal and it will be retained.
- 3.15 It should be noted that the consultation was lengthy and complex, involving areas of the policy that it takes officers several weeks of training to understand. This has led to a higher than anticipated number of “Unsure/Don’t Know” responses. This highlights some of the problems with the current scheme which will be reduced by adopting the proposals put forward. By removing some of the areas of complexity for the 2020/21 scheme, any future consultations will be shorter and easier to understand.

#### **4.0 Social Value Consideration**

- 4.1 The need and expectations of our residents have been sought and taken into consideration. A consultation was undertaken for a six week period. The consultation was advertised on the council’s website and with daily posts on social media (Facebook and Twitter). In addition, as part of the campaign local stakeholders such as advice agencies, housing associations, Gloucester City Homes and the Department for Work and Pensions local office were made aware and asked to cascade details of the consultation to their service users. 607 households were identified as potentially the most affected by the proposed changes, and all of these were targeted with a letter explaining that there was a consultation about proposed changes to the Local Council Tax Support scheme, and inviting them to take part.
- 4.2 Gloucester City Council has a Council Tax discretionary hardship scheme for those City residents who may find themselves in exceptional circumstances. For this purpose, exceptional is defined as ‘not typical, entirely unusual, and only likely to happen very infrequently’. A resident would have to demonstrate financial hardship or exceptionally difficult personal circumstances and must also have applied for all other exemptions, discounts and benefits before an award can be considered. Any award made would be for the current financial year’s Council Tax only.

- 4.3 The longer-term consideration of this policy is to align Gloucester City Council's Local Council Tax Support scheme to Universal Credit which will make the scheme less onerous to administer, and easier for customers to understand and assist with their budgeting. Full migration of the existing legacy benefit caseload to Universal Credit is not expected to be achieved until 2024.

## **5.0 Environmental Implications**

- 5.1 There are no environmental implications associated with this report

## **6.0 Alternative Options Considered**

- 6.1 Keeping the scheme the same – we need to keep the scheme financially sustainable despite reduced government funding – the current scheme is likely to incur additional administrative costs as Universal Credit continues to roll out
- 6.2 Introducing a minimum entitlement level – this would reduce the level of entitlement for households currently receiving the lowest amounts of support
- 6.3 Increasing the level of Council Tax to take into account the current costs of the scheme against the levels of reduced government funding
- 6.4 Maintaining the current scheme and reduce the funding available for other council services, based upon the funding envelope which reduced immediately by 10% of direct subsidy in April 2013. Overall funding has continued to reduce, including the level of admin grant

## **7.0 Reasons for Recommendations**

- 7.1 Gloucester City Council have managed to maintain the current scheme broadly mirroring the original fully funded scheme for seven years. The Council are facing a range of financial pressures and need to make changes to reduce the cost of the scheme, make it more efficient to administer and easier for recipients to understand
- 7.2 As government funding continues to decrease, we also need to strike a balance between a revised scheme that is fair and affordable for those who receive support, and also for all our residents who receive council services. However, we do remain committed to providing support to our residents with low incomes.

## **8.0 Future Work and Conclusions**

- 8.1 November 21<sup>st</sup> 2019 - meeting of the full Council are asked to approve the changes recommended to the 2019/20 Local Council Tax Support Scheme and adopt this as the approved scheme for 2020/21 for Gloucester City Council.

- 8.2 January 30<sup>th</sup> 2020 - meeting of the full Council are asked to resolve that the scheme approved at 8.1 above be updated to align with any legislation changes in January 2020 and be implemented from 01 April 2020.

## **9.0 Financial Implications**

- 9.1 A review of the scheme is carried out annually to assess the financial cost of the scheme and to ensure it remains operationally and financially viable, taking into account ongoing changes in legislation and financial requirements. Central Government no longer fully funds this locally administered award, as there was an expectation that Local Authorities would amend their local schemes to fund the shortfall. The funding for the local scheme reduced immediately by 10% of direct subsidy in April 2013. Overall funding has continued to reduce, including the level of admin grant.
- 9.2 The impact of welfare reforms, most notably the transition to Universal Credit and the proposals to reduce levels of support given to some households, will likely have an impact on collection of Council Tax and lead to target levels taking longer to achieve
- 9.3 For 2020/21 it is proposed to make the changes outlined in Appendix 1 to this report. Of these changes those which potentially reduce the cost of the scheme to the council are:
- i) a 10% minimum council tax charge
  - ii) clarification and simplification of the non-dependant deductions
- 9.4 These changes will inevitably initially have some impact to the overall council tax collection levels. The council's provision for bad debts will be adjusted accordingly.

(Financial Services have been consulted in the preparation this report.)

## **10.0 Legal Implications**

- 10.1 The Local Government Finance Act 2012 abolished Council Tax Benefit and instead required each authority to design a scheme specifying the reductions which are to apply to amounts of council tax. The prescribed regulations set out the matters that must be included in such a scheme.

The Local Council Tax Support 'LCTS' scheme is required under Section 9 of the Local Government Finance Act 2012.

- 10.2 Pensioners (those over state pension age) are protected from any changes, but otherwise the Council has discretion to decide how it wishes to design its scheme to cover any shortfall, in accordance with the prescribed requirements.

(One Legal have been consulted in the preparation of this report.)

## **11.0 Risk & Opportunity Management Implications**

- 11.1 It may be difficult to collect the increased Council Tax due, but all available options will be explored to mitigate the risk
- 11.2 Implementation of the minimum payment element of the proposed new scheme has been delayed as long as feasible by the Council. As highlighted earlier in the report this proposed change would bring the Council into line with national norms.
- 11.3 The cost of the scheme and administration lies solely with the billing authority, however any uncollected council tax will be reflected in the collection fund. The council only has a minority stake in this of approximately 11.6%, with the majority of the revenue collected being dispersed to the preceptors; 74% to County Council and 14.4% to the Police and Crime Commissioner respectively.

## **12.0 People Impact Assessment (PIA) and Safeguarding:**

- 12.1 A full PIA has been completed and is appended to this report at Appendix 3
- 12.2 The PIA identifies that households with certain protected characteristics will be affected by reducing the levels of support available for some households, specifically people with caring responsibilities, disability and single parents. Changes in the proposal will reduce existing levels of support for up to 75% of households displaying these characteristics however levels are in proportion with impacts on households who do not display them.
- 12.3 A range of measures can be put in place to mitigate the impacts on households who find it difficult to pay the increased charges which are outlined in the PIA. These include refining procedures for collection of small balances for low-income households, and applying an award application of the Council Tax Discretionary Hardship fund. There is extensive local provision for assistance with budgeting to help households meet their financial obligations and maximise all of the financial support available, relevant to their personal circumstances

## **13.0 Community Safety Implications**

- 13.1 None

## **14.0 Staffing & Trade Union Implications**

- 14.1 None

## **Background Documents:**

Local Government Finance Act 1972 -  
<http://www.legislation.gov.uk/ukpga/1972/70/contents>