

<b>COUNCIL</b>	<b>DATE</b> 29 January 2020	<b>ITEM NO</b> 12
<b>TITLE</b> Changes to Local Council Tax Support Scheme for 2020/21	<b>WARD (S)</b> All	
<b>CHIEF OFFICER</b> Director of Finance	<b>CABINET MEMBER</b> Finance and Resources	
<b>DECISION CLASSIFICATION</b> Key	<b>IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING?</b> Yes	

This report is being considered by the Cabinet on 29 January 2020.

## **I. Decision required**

The Council is requested to agree to:

- I.1 Increase the maximum level of support for all working age claimants to 100%.
- I.2 Maintain the existing non-dependant deductions and temporary absence from Great Britain rules as they apply to working age claimants.
- I.3 Make the scheme work better for Universal Credit claimants, specifically by,
  - Increasing the disregard towards pension contributions from 50% to 100%.
  - Ignoring Bereavement Support Payments and Universal Credit Transitional Severe Disability Payments within the calculation for council tax support assessments.
  - Aligning the dates for when changes of circumstances are applied from to reflect the same dates as the claimant's monthly assessment period of Universal Credit.
- I.4 Simplifying the claims process by,
  - Making it easier to backdate council tax support for up to six months without the need to explain why the claimant didn't claim earlier (i.e. to remove the good cause provision)
  - Not requiring a new application within six months of a previous claim ending, where the Council has the financial information to confirm entitlement.

1.5 To note that the gross cost of agreeing to the decisions above is £1.6M to Royal Borough of Greenwich (+ £0.5M to GLA), which is accounted for under the Council's Medium Term Financial Strategy.

## **2. Links to the Royal Greenwich high level objectives**

2.1. This report relates to the Council's agreed high-level objectives as follows:

- A healthier Greenwich
- Economic Prosperity for All
- A strong and vibrant well-run Borough.

2.2 This report also relates to the Council's Social Mobility plan as follows:

- Improve the Financial Resilience of Families and Individuals

## **3. Purpose of Report and Executive Summary**

3.1 The Local Council Tax Support (LCTS) scheme is a way of helping people on low or no income pay their Council Tax bill. Currently, Greenwich's Local Council Tax Support scheme provides up to 85% support for working age claimants. In Greenwich, up to 15,000 working age households currently receive some level of support under the Scheme.

3.2 On 21 November 2019, it was agreed to go out to consultation on proposed changes to the 2020/21 Local Council Tax Support scheme to:

- a) Review the maximum level of support available to working age claimants
- b) Update the scheme to align with some national welfare changes and make technical changes, some of which would affect the level of support and some would not.

3.3 The consultation ran from 22<sup>nd</sup> November until 20<sup>th</sup> December 2019.

## **4. Introduction and Background**

4.1 In 2013 the government abolished the national Council Tax Benefit scheme and was replaced, as required, with a local Council Tax Support scheme. The scheme adopted in the Royal Borough of Greenwich largely mirrored the

rules of the previous Council Tax Benefit scheme, however reducing maximum support available for working age claimants to 85%.

- 4.2 The current LCTS scheme requires all working age claimants to make a minimum payment of 15% of their council tax liability. For households on the lowest incomes, this is creating hardship, and Council Tax liability can be a real challenge for the most vulnerable residents who are reliant on benefits to pay it in any case. A recommendation from the Fairness Commission was to increase the level of Council Tax Support up to 100% for the borough's most vulnerable residents.
- 4.3 No changes to the Council Tax Support scheme have been made since its introduction in 2013. In that time, there have been various changes to other national welfare benefits, prescribed changes to the LCTS scheme which affect pensioners, and the introduction of Universal Credit. These have all resulted in increasing disparity between our LCTS scheme and other benefits.
- 4.4 Please note that the LCTS scheme for pensioners is separate, and changes to this scheme are controlled by central Government. People over pensionable age can receive up to 100% support towards their council tax liability.

## 5. **Available Options**

### ***Maximum level of support***

- 5.1 The first decision requested is whether the maximum level of support for working age households should be increased.
- 5.2 Under the current scheme, a working-age resident liable for council tax could get help for up to 85% of their bill. This means that currently everyone needs to pay at least 15%. It is recognised that there has been a significant financial burden on many of the lowest income households in Greenwich since changes to Council Tax Support were made in 2013.
- 5.3 The available options are:
- Increase maximum level of support to 100% for all working age residents
  - Increase maximum level of support to 100% for vulnerable residents (to be defined)
  - Remain at current level of maximum support of 85%
- 5.4 There were 111 responses received in the public consultation. The consultation results were as follows:

Question one asked: Should we increase support to a maximum of 100% for certain groups of residents?

Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
8	9	9	29	56

Question two asked: If we proceed with increasing support, which groups of residents do you think should receive up to 100% support?

All working-age residents	Households in receipt of a sickness or disability benefit	Households in receipt of Carers Allowance	Households with a dependent child	Single parent households
54	44	37	28	34

- 5.5 The preferred option is to increase the maximum level of support for all working-age claimants to 100%. This is on the basis that to have a fair taxation system, tax must reflect an ability to pay. Households with low incomes way below the poverty line often do not have the ability to pay. This has been further compounded with a freeze in uprating for most means-tested benefits for the last four years. The disadvantage of this option is that it would incur increased costs to the Authority in providing that level of support. Some of that cost would be offset from the administrative savings in not having to recover the minimum contribution from low income households, and reductions in the use of Enforcement Officers (Bailiffs).
- 5.6 The alternative options are to increase support to 100% for certain vulnerable groups. Traditionally, households in receipt of a disability benefit and/or carer benefits, or households with dependent children are recognised as having additional pressures and to therefore prioritise some or all of those groups for additional support. The advantage of this option is that the costs to the Authority would be lower as there would be less households entitled to potential increased support towards their Council Tax. However, the households who would not benefit from this change are likely to still be facing financial hardship, and face difficulty in paying their Council Tax bill. Of the 15,000 working age households in receipt of LCTS, over 12,600 fall into one of the above categories. If all the identified groups were to receive increased support it would only leave a small number of households with a minimum contribution, and so the financial saving for this option would not be high.

More savings could be made if a decision was made to narrow who would be classified as vulnerable, due in fewer households being entitled to the additional support. This would require however a decision on which vulnerable groups were more deserving of additional support than others.

- 5.7 The other alternative option would be to stay at the current level of maximum support at 85%. This would have the advantage of not requiring additional funding to pay for this support, however it would not be easing the hardship felt by low income households, and it would not be implementing the recommendation within the Fairness Commission.
- 5.8 The consultation proceeded to ask for consideration of other changes to the LCTS scheme. These changes relate to the technical aspects of the scheme as set out below.

***Aligning the rules for pensioners and working age claimants***

- 5.9 A decision is requested on changes to the scheme to align with some of the rules which are applied to pensioners.
- 5.10 The rules on LCTS schemes for pensioners are set by the government and change every year. The rules for working-age residents are set by the Council and have not changed since 2013. A decision is requested to allow aspects of our scheme for working-age people to be updated so that the same rules are applied to both. This has the advantage of making it easier to understand the schemes (as there is less variation between the two) and reducing the potential for error in administering the scheme.
- 5.11 There are two specific areas which were consulted on to consider making changes:
  - 1. To align the two schemes so that the non-dependant deductions for working- age residents are the same as for pensioners and would change each year like the rates set for pensioners by the government.
  - 2. To align the two schemes so that the same temporary absence from Great Britain rules which apply to pensioners are applied to working age claimants, i.e. four weeks.
- 5.12 The options available are:
  - a. Agree to one or both proposals
  - b. Do not agree with the proposals

5.13 The consultation results were as follows:

Disagree	Neutral	Agree
10	4	18

5.14 The preferred option is to maintain the existing non-dependant deductions and temporary absence from Great Britain rules as they apply to working age claimants. However, to further consider the approach to non-dependant deductions and what changes to may be needed in the future to update these rules in a fair manner.

The alternative option is to agree and implement the proposals. A summary of this technical change to the scheme is outlined in Appendix B.

### ***Making the scheme work better for Universal Credit claimants***

5.15 A decision is requested on changes to the scheme to align with some of the rules which are applied within Universal Credit.

Due to the introduction of Universal Credit, there are aspects which mean that the current scheme has unintended consequences for claimants in receipt of the new benefit. There have also been new earnings disregards introduced which the Council would like to replicate in the LCTS scheme. These proposals are designed to make the scheme work better for claimants in receipt of Universal Credit.

5.16 There are three specific areas which were consulted on to consider making changes:

1. To increase the disregard towards pension contributions from 50% to 100%.
2. To ignore Bereavement Support Payments and Universal Credit Transitional Severe Disability Payments within the calculation for council tax support assessments.
3. To align the dates for when changes of circumstances are applied from to reflect the same dates as your monthly assessment period of Universal Credit.

5.17 The options available are:

- a. Agree to all proposals
- b. Agree to some of the proposals
- c. Do not agree with any of the proposals

5.18 The consultation results were as follows:

Disagree	Neutral	Agree
6	3	28

5.19 The preferred option is to agree to all of the proposals.

The alternative option is to not implement the proposals. A summary of this technical change to the scheme is outlined in Appendix B.

### ***Simplifying the claim process***

5.20 A decision is requested on changes to the scheme to simplify the claim process.

5.21 There are two specific areas which were consulted on to consider making changes:

1. To make it easier to backdate council tax support for up to six months without the need to explain why you didn't claim earlier (i.e. to remove the good cause provision)
2. To not require a new application within six months of a previous claim ending, where we have the financial information to confirm entitlement.

5.22 The options available are:

- a. Agree to some or all of the proposals
- b. Do not agree with any of the proposals

5.23 The consultation results were as follows:

Disagree	Neutral	Agree
7	3	27

5.24 The preferred option is to agree to all of the proposals.

The alternative option is to not implement the proposals. A summary of this technical change to the scheme is outlined in Appendix B.

## **6. Preferred Options**

6.1 The preferred options are:

- Maximum level of support: To increase the maximum level of support for all working age claimants to 100%
- Aligning the scheme: To maintain the existing rules.
- Universal Credit claimants: Agree to the proposals
- Simplify the claim process: Agree to the proposals

### Maximum levels of support

6.2 For a Greenwich working age household in a Band A property receiving maximum support, they would have a bill of £148.95 for the year 2019/20. Increasing the maximum level of support to 100% would mean that the households on the lowest incomes would have a lower and, in some cases, nil contribution to make towards their Council Tax liability. The following table shows the number of working age LCTS claimants per Band, and the current liability and the minimum bill the household would be required to pay, with the current scheme. The amount of the current bill is the potential saving for working age households on the lowest incomes.

Council Tax Band	Number of LCTS claimants	Liability in 19/20	Minimum Council Tax bill
A	2652	£993.03	£148.95
B	3980	£1,158.54	£173.78
C	5462	£1,324.05	£198.61
D	2186	£1,489.55	£223.43
E	551	£1,820.56	£273.08
F	62	£2,482.58	£372.39
G	13	£2,979.10	£446.87

- 6.3 During the roundtable events for the Fairness Commission in Greenwich, it was highlighted by local organisations that Council Tax liability can be a real challenge for the most vulnerable residents who are reliant on benefits to pay it in any case. For working age households in receipt of benefits, uprating has been frozen since 2016 (except for some disability benefits), and prior to that uprating limited to 1% since 2012. This, in combination with various other welfare reforms, with inflation increasing in the last couple of years, has compounded the difficulties facing working age households in the borough.
- 6.4 Whilst the amount can be a significant figure for residents to find, they can be uneconomical to recover for the Council. The costs of collection, including legal recovery costs with fall to the Council being higher than the bill, and

would potentially be written off when the debt is uncollectable which would mitigate against the savings made on reducing the level of support.

- 6.5 Improving financial inclusion and reducing poverty is also recognised as high-level priorities for the borough.

### **Aligning the scheme with pensioner rules**

- 6.6 The preferred option is to not accept these proposals this year. The consultation did consider making changes to align some of the rules to what have been implemented by central government to apply to pensioners. The two specific proposals relate to changing the rules relating to the charges applied to non-dependant deductions, and to temporary absences outside Great Britain. Both proposals however would potentially reduce entitlement for working age claimants. The preferred option is therefore to not apply the proposals for 2020, and instead to defer implementing these changes and consider these proposals further.

### **Universal Credit claimants.**

The preferred option is to accept all three proposals.

- 6.7 The first proposal is to increase the disregard towards pension contributions from 50% to 100% for Universal Credit claimants. There are currently no earnings disregards provided within our LCTS scheme for earnings when claimants are on UC, and so this assists to increase the work incentive within the scheme for claimants who are in work. It also helps with making the scheme easier to administer for claimants, particularly when based on the evidence provided by the claimants themselves rather than the information feed from the Department for Work and Pensions (DWP).
- 6.8 For proposal two, the preferred option is to disregard Bereavement Support Payments and Universal Credit Transitional Severe Disability Payments as incomes within our LCTS scheme. These are two incomes which have recently been introduced by the DWP and are disregarded as incomes for DWP benefits. This proposal is to ensure that our scheme mirrors the intention of central government when taking into account these incomes.
- 6.9 For proposal three, the preferred option is to align for Universal Credit claimants the change of circumstance to apply from the dates of the UC assessment period, rather than the following Monday. Universal Credit is paid monthly. This change makes LCTS entitlement simpler to understand for claimants when they are on UC.

## **Simplifying the claim process**

The preferred option is to accept both proposals.

- 6.10 The first proposal is to allow up to six months backdating (as is allowed currently), however to no longer require good cause provided to accept backdating. Good cause is currently required in the scheme, which is a reason to demonstrate why the claim was not made earlier. There is increased confusion with the roll out of Universal Credit, as claimants are often not aware that help with Council Tax is not included in the DWP benefit, and this can lead to delays in approaching the Council. This proposal will make it easier to allow claims to be backdated, with less administration required and increase take up (where entitlement is shown).
- 6.11 The second proposal will make it easier to continue entitlement where we have the evidence to show that entitlement exists, but there has been a recent break in the claim. Currently, if in one month the claimant's income is too high, the claimant will need to make new application even where we have the information (from the DWP) to show that entitlement exists again the next month. This proposal will reduce administration and the need for repeated applications, which is more likely to occur for Universal Credit claimants with fluctuating earnings.

## **7. Reasons for Recommendations**

- 7.1 The reasons for each of the preferred options are outlined above.
- 7.2 A full explanation of the technical aspects of the scheme consulted on are in Appendix B.

## **8. Consultation and Results**

- 8.1 The consultation period commenced on 22<sup>nd</sup> November 2019 and was completed on 20<sup>th</sup> December 2019. Appendix A provides details of those consulted.
- 8.2 111 responses were received, in addition to a formal response from the GLA. The majority of responses agreed or strongly agreed to increase support for working age claimants and increasing support for all working age residents received the most responses.

8.3 The consultation results are provided in more detail in Appendix A.

9. **Next Steps: Communication and Implementation of the Decision**

9.1 Upon the recommendations being agreed, the scheme will be updated. The new scheme will be made available on the website by 1 April 2020.

The changes in the scheme will be applied to existing LCTS claimants from 1 April 2020, and this will be communicated to claimants in their annual entitlement letters, normally sent out in early March 2020.

10. **Cross-Cutting Issues and Implications**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Legal</b> including Human Rights Act	<ol style="list-style-type: none"> <li>1. Under section 13A of the Local Government and Finance Act 1992 the Council is under a duty to have in place a scheme specifying the reductions/ discounts which are to be applied to the Council Tax payable by individuals or classes of individuals it considers to be in financial need. Before adopting a scheme, the Act requires the Council to (a) consult any major precepting authority which has power to issue a precept to it, (b) publish a draft scheme in such manner as it thinks fit, and (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.</li> <li>2. Details of the consultation carried out and the responses received are set out in paragraph 5 of the report.</li> </ol>	Azuka Onuorah Head of Legal Services. 30 December 2019.
<b>Finance</b> and other resources including procurement implications	The current overall cost of the LCTS is £18½m, shared 75% / 25% between the council and GLA, with roughly two thirds of claimants of working age.	Damon Cook, Director of Finance, 31 December 2019

	<p>The proposals within this report produce a gross cost increase of £1.6m for the council and £0.5m for the GLA respectively. However, other costs borne by the billing authority around debt collection and enforcement are likely to reduce as a result of these proposals, thereby reducing the overall financial impact of the measures to the council, although it is not easy to quantify the effect.</p> <p>The proposals are accounted for within the councils Medium Term Financial Strategy and being a demand driven area, this cost will fluctuate annually in response to local demographics and economic vibrancy. The impact of this movement will be picked up within the annual council tax base calculations.</p>	
<p><b>Equalities</b></p>	<p>The intention behind this policy change is to increase financial support to low income residents who are financially struggling. Other technical changes are intended to align the scheme to national welfare reforms and Universal Credit, and to simplify the claims process. immediately below.</p> <p>The changes are being applied to all working age residents, of which all will benefit from these proposals. Claimants who are likely to benefit slightly more than other groups: Residents with a disability, and residents in employment.</p> <p>Further information is also available in the equality impact assessment attached at Appendix C.</p>	<p>Corin Hammersley, Training, Policy and Welfare Rights Service Manager. 24 December 2019</p>

## 11. **Report Appendices**

11.1 The following documents are to be published with and form part of the report:

- Appendix A: Consultation Responses in detail
- Appendix B: Explanation for the technical proposals in the scheme
- Appendix C: Equalities Impact Assessment

## 12. **Background Papers**

None

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