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| <b>Report of:</b> | Councillor Barrie Cooper - Executive Member for Environment and Finance & Governance<br>Ian Wright - Director of Finance |
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| <b>Submitted to:</b> | Executive - 14 February 2022 |
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| <b>Subject:</b> | Local Council Tax Support 2022/23 |
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**Summary**

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| <b>Proposed decision(s)</b>   |
| That Executive approve a revised Council Tax Support (CTS) scheme for 2022/23 and endorses the report to be considered at Full Council on 23 February 2022. |

| Report for: | Key decision: | Confidential: | Is the report urgent? <sup>1</sup> |
|-------------|---------------|---------------|------------------------------------|
| Decision    | Yes           | No            | No                                 |

| Contribution to delivery of the 2020-23 Strategic Plan  |       |  |
|---|-------|--|
| People  | Place | Business   |
| The purpose of the change is to implement a new working age CTS scheme which will not only provide additional support to low-income families but also improve current administration, make it easier to claim and to assist in the collection of Council Tax within the area. | N/A   | The CTS scheme is important in ensuring residents who need support in paying their required Council Tax are billed for the correct amount based on their financial circumstances. This will ensure the right amount is collected from the correct residents. |

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| <b>Ward(s) affected</b>  |
| All wards are affected by the decision to change the CTS scheme. |

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## What is the purpose of this report?

1. This report seeks approval for the amendment of the Council's Council Tax Support (CTS) scheme for 2022/2023.

## Why does this report require a Member decision?

2. The Local Government Finance Act Section 67 (2012 Act) inserted into LGFA 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support scheme by no later than 11 March each year. Any scheme cannot be made by officers, with the above legislation confirming that authorisation of the full scheme is subject to member approval.

## Report Background

3. Council Tax Support (CTS) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
  - Placed the duty to create a local scheme for **Working Age** claimants with billing authorities;
  - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
  - Prescribed that persons of **Pensionable age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.
4. Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax. The Council has no power 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.
5. When CTS was introduced in 2013, for working age claimants, the majority of Councils including Middlesbrough broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age claimants, even those on the lowest income, to pay a minimum payment of 20%. In Middlesbrough, we usually refer to CTS as Council Tax Reduction (CTR).
6. Since that time the minimum payment required has reduced to 15% and only slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit (UC).
7. This report follows on from the report discussed at Executive on 5 October 2021, where permission to consult the public, major preceptors and stakeholders on a revised scheme was sought and granted.

## The current scheme

8. There are some areas within the current scheme which can be amended which in turn will provide a differing level of support to low-income taxpayers, and will also help the Council to provide the service in a more efficient manner. The main areas are as follows:
  - The need to further assist low-income households and assist in the collection of Council Tax;

- The introduction of UC for working age claimants; and
- The need for a simplification of the scheme.

9. Each of the above are examined in detail below.

### **Assisting low-income households and the collection of Council Tax**

10. In 2013, 80% maximum support was provided to working age claimants. In 2018/19, this increased to 85% maximum support to working age claimants.

11. A number of authorities have and are making changes to the CTS scheme (see Appendix A), for reasons such as;

- More support for claimants on passported benefits;
- Simplification of the scheme;
- Reduction in the administrative burden collecting from those households with limited means;
- Reduction in the provision made for bad debtors;
- Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.

Middlesbrough's proposed scheme will equally address these underlying concerns.

### **Council Tax Support and the roll out of Universal Credit**

12. The introduction of UC within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of CTS and also the collection of Council Tax generally. Many Councils have experienced the following:

- The reluctance of UC claimants to make a prompt claim for CTS leading to a loss in entitlement;
- A high number of changes to UC cases are received from the Department for Work and Pensions requiring a change to CTS entitlement. On average 40% of UC claimants have between 8 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; and
- The increased costs of administration through multiple changes with significant additional staff and staff time being needed.

13. It is clear that the existing means tested CTS scheme, which is too reactive to change, will not be viable in the longer term now that UC has been rolled out fully within the area and with the massive increase in UC claimants due to the COVID-19 crisis. Giving weight to these circumstances, it would be appropriate to move to a more efficient scheme from 2022/23.

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

14. Notwithstanding the introduction of UC, the existing scheme is based on a 'pre-dated' means-tested benefit scheme:

- It is difficult for customers to understand and is based on a complex calculation of entitlement;
- The administration for staff is very convoluted, with staff having to request significant amounts of information from claimants;

- Staff have to undergo extensive 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 administration of the scheme is costly when compared to other discounts for Council Tax.

15. There is a need to simplify the scheme, not only to mitigate the effects of UC, which have been fast tracked as a consequence of Covid, but also make it easier for customers to make a claim, reduce the likelihood of fraud, and to reduce the costs of administration.

### The proposed approach for the 2022/23 Council Tax Support Scheme

16. It is proposed that an alternative approach be taken from 2022/23, through the redesign of the scheme to address all of the main areas highlighted in this report.

17. Work has been ongoing since early 2021 on designing and modelling a proposed alternative scheme.

18. Following approval at Executive on 5 October 2021, consultation with stakeholders, partners and the general public has now been undertaken, as well as with Major Precepting authorities. This consultation has resulted in a few minor suggested changes to the proposed scheme. If agreed by the Council, the proposed alternative scheme will take effect from 1<sup>st</sup> April 2022.

19. The proposed alternative scheme has a number of features as follows:

- More support shall be given to those households on the lowest of incomes than in the current scheme;
- The changes can **only be made to the working age schemes** as the current schemes for pensioners are prescribed by Central Government;
- The grid below represent weekly amounts.
- The current means - tested schemes will be replaced by a simple income grid model as shown below:

| Discount Band               | Discount | Single Person     | Single person with one child | Single person with two or more children | Couple            | Couple with one child | Couple with two or more children |
|-----------------------------|----------|-------------------|------------------------------|---|-------------------|-----------------------|----------------------------------|
| <b>WEEKLY Income Ranges</b> |          |                   |                              |   |                   |                       |                                  |
| <b>Band 1*</b>              | 90%      | £0 - £100.00      | £0 - £160.00                 | £0 - £220.00                            | £0 - £140.00      | £0 - £205.00          | £0 - £260.00                     |
| <b>Band 2</b>               | 72%      | £101.01 - £180.00 | £160.01 - £240.00            | £220.01 - £295.00                       | £140.01 - £240.00 | £205.01 - £281.00     | £260.01 - £340.00                |
| <b>Band 3</b>               | 36%      | £180.01 - £215.00 | £240.01 - £255.00            | £295.01 - £350.00                       | £240.01 - £290.00 | £281.01 - £320.00     | £340.01 - £400.00                |
| <b>Band 4</b>               | 23%      | £215.01 - £255.00 | £255.01 - £280.00            | £350.01 - £450.00                       | £290.01 - £340.00 | £320.01 - £370.00     | £400.01 - £480.00 **             |

|  |    |                 |                 |              |                 |                 |                   |
|--|----|-----------------|-----------------|--------------|-----------------|-----------------|-------------------|
|  | 0% | Over<br>£255.00 | Over<br>£280.00 | Over £450.00 | Over<br>£340.00 | Over<br>£370.00 | Over<br>£480.00** |
|--|----|-----------------|-----------------|--------------|-----------------|-----------------|-------------------|

\*If the claimant is in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related), it is proposed (as outlined above) that the maximum level of support will be 90% (Band 1);

\*\* - the amounts for Band 4 (Couple with two or more children), were originally proposed on the report to Executive on 5 October 2021 as being £400.01 to £430.00. Following consultation, it is now proposed that this rate be increased to £400.01 to £480.00, as this was inconsistent when compared to the band for Single Person with two or more children. This reflects a fairer and slightly more generous approach.

- All other discount levels are based on the claimant's (and partner's if appropriate) net weekly income;
- The scheme allows for variation in household size with the levels of income per band increasing where a claimant has a partner, and / or dependants. Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children or more;
- There will be no charges made where a claimant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low-income families where adult sons and daughters, for example, remain at home;
- To support claimants in or into work, the first £25 per week of the claimant / partner's net earnings will be disregarded before comparing the level of weekly income to the income grid. This will take the place of the current standard disregards and additional earnings disregards.
- Disability benefits such as Disability Living Allowance and Personal Independence Payments will continue to be disregarded;
- Where any claimant, their partner or dependant child(ren) are disabled, a further disregard will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and Child Maintenance will be disregarded;
- An amount in respect of the housing element, limited capability for work elements, carers element and disabled child elements within UC will be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed; and
- The current scheme has a capital limit of £16,000. For consultation purposes the Council's proposed scheme was to reduce this limit to £6,000, which would have impacted 105 claimants out of 18,000. Having now concluded the consultation, it is proposed that the capital limit reduces from £16,000 to £10,000, which will reduce the 105 impacted claimants to 55.

### **How the proposed alternative scheme will address the problems with the current scheme**

20. With the simplification of the proposed alternative scheme, it will address the following:

- **Claiming process.** Claimants will see a reduction in the claiming process and, where appropriate to do so, CTS will be awarded automatically. For UC claimants any UC data received from the Department for Work and Pensions (DWP) will be treated as a claim for CTS. Where information is received from DWP, the entitlement to CTS will be processed automatically without the need to request further information from the taxpayer. These changes will have the following distinct advantages namely:
  - **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
  - **Maximising entitlement to every claimant.** As there will no requirement for UC claimants to apply separately for CTS, and for all other claimants, the claiming process will be simplified, and backdating will be kept to a minimum;
  - **Maintenance of collection rates** – the proposed alternative scheme will avoid reissuing of demand notices and re-setting instalments, and support the approach to the improvement of collection rates. The increased level of CTS support will mean those claimants on the lowest levels of weekly income will pay less Council Tax;
- **The income bands are sufficiently wide to avoid constant changes in discount.** The current CTS scheme is very reactive and will alter even if the overall change to the person's liability is small. The proposed alternative scheme, with its simplified income banding approach will have the following advantages:
  - Only significant changes in weekly income will affect the level of award;
  - Council Tax payers who receive CTS will not receive multiple Council Tax demands and adjustments to their instalments; and
  - The proposed alternative scheme is designed to reflect a more modern approach, where any discount changes will be effective from the day of the change rather than the Monday of the following week.

### **Transition to the proposed alternative scheme and the Exceptional Hardship Scheme**

21. Any change in scheme or a transition to a proposed alternative scheme may result in a change to the entitlement of certain claimants.
22. The changes to the scheme, will mean those regarded as the most vulnerable will gain in award, with others (as shown above) having a reduced award (i.e. those with capital over £10,000). It is proposed that the alternative scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any claimant 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 claimant.
23. This approach will enable individual claimants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the CTS scheme and fall to be paid through the Collection Fund.

## Consultation Process

24. Major preceptor and public consultation was open from 14 October 2021 to 7 December 2021 and publicised by way of:

- Multiple social media posts advertising the consultation;
- Advertisement on numerous pages on the Council's website with links to its online form available to complete. It also featured on the Latest News at the bottom of each page.
- Direct contact with partners, including
  - Major Preceptors,
  - members of Middlesbrough Council's Financial Improvement Group,
  - Councillors,
  - Middlesbrough Citizen's Advice Bureau and other welfare groups,
  - other targeted partners and stakeholders.
- Middlesbrough Council's weekly e-bulletin for staff
- Inclusion on the Council's resident's e-Newsletter sent out to approximately 20,000 subscribers.

25. The consultation produced responses from organisations, major preceptors and the public. A summary of the results from the 45 completed questionnaires can be found at Appendix D. The actual wording of the questionnaire can be found in Appendix C.

26. The results suggest that a majority of respondents in general support the options presented, however following consultation we have slightly amended the proposals in 2 areas:

- the amounts for Band 4 (Couple with two or more children) of the income grid is now proposed be increased to '£400.01 to £480.00' (see paragraph 19)
- the capital limit for the proposed scheme is proposed to be £10,000 instead of £6,000 (see paragraph 19)

### **What decision(s) are being asked for?**

27. That Executive approves a revised Council Tax Support (CTS) scheme for 2022/23 and endorses the report to be considered at Full Council on 23 February 2022.

### **Why is this being recommended?**

28. The proposed changes, will simplify a complicated scheme, further assist low income households and support the collection of council tax, whilst also fulfilling the obligations on Local Authorities to support the roll out of Universal Credit.

29. Changes to the existing scheme have been subject to full consultation which ran from the 14 October 2021 to 7 December 2021, a period of over 7 weeks. Responses informed the scheme, were broadly accepted, and resulted in minor changes to the proposed capital limit and income bands for couples with 2 or more children (see paragraph 19). The

questions which were asked during the consultation can be found at Appendix C, and a summary of the responses can be found at Appendix D.

### Other potential decisions and why these have not been recommended

30. The alternative to introducing a proposed alternative scheme for CTS from 2022/23 is to leave the existing scheme in place. This would be a short-term option; leading to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

31. Modelling (see below) has also been done on an alternative 'income grid' scheme with 85% maximum support and 100% maximum support.

- 100% support scheme is not recommended as this would be a cost to the Council in excess of £1,000,000 and on that basis would be unaffordable.
- 85% support scheme is equally not recommended. Whilst the overall cost of the scheme would be cheaper, it would have a detrimental impact on the cost of collection, and in addition places a further financial burden on some of the lower income residents of the town.
- Retain the existing means tested scheme with 85% support is not recommended. Although the current scheme will be cost neutral, it is complicated and difficult for claimants to navigate their way through, and this is resulting in a reduction in take up. It is also impacting on the timeliness of billing and collecting Council Tax amounts, and is also more resource intensive to administer. (see also para 11).

32. The principles of the 85% and 100% scheme are exactly as described earlier in this report (Para 19), however given weight to the options appraisal/rationale (**Appendix B**) these are not recommended.

| Option | Scheme / Support                             | Cost / Saving to the Council       | Support                               | Recommended / Not Recommended     |
|--------|--|------------------------------------|---------------------------------------|-----------------------------------|
| 1      | Income Banded Scheme – 85% maximum support   | £700,000 saving ***                | 85% - similar to existing support     | Not recommended – See Appendix B  |
| 2      | Income Banded Scheme – 90% maximum support   | Cost neutral ***                   | 90% - 5% increase on existing support | Recommended – See Appendix B      |
| 3      | Income Band – 100% maximum support           | £1,000,000 cost to the council *** | 100% - 15% increase in support        | Not recommended – See Appendix B. |
| 4      | Do nothing / remain with the same CTS Scheme | Cost neutral                       | 85%                                   | Not recommended – See Appendix B  |



\*\*\* - modelling and re-modelling of the proposed scheme and alternatives has continued weekly since June 2021 to ensure any weekly fluctuations in the caseload and CTS entitlement are continually monitored and reflected in these proposals.

### **Impact(s) of recommended decision(s)**

33. Any decision whether to change the scheme will need to be approved by full Council.

### **Legal**

34. Schedule 1A (3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- consult any Major Precepting authority which has power to issue a precept to it,
- publish a draft scheme in such manner as it thinks fit, and
- consult such other persons as it considers are likely to have an interest in the operation of the scheme.

This consultation has been carried out, following permission to consult being granted by Executive on 5 October 2021 (see paragraph 26)

35. In addition, in order to set a new scheme, the Council is obliged to make a resolution by **11<sup>th</sup> March** of the year prior to the scheme coming into place.

### **Financial**

36. The current CTS scheme budget is **£19.1m** which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:

- Middlesbrough Council (83.55%);
- Police and Crime Commissioner for Cleveland (12.63%)
- Cleveland Fire Brigade (Fire and Rescue Service) (3.82%).

37. Based on current modelling, were the proposed alternative scheme to be in place at the current time, the costs of this scheme is estimated to be cost neutral (this figure is subject to change as claimants move on and off the scheme over the remainder of the year)..

38. The proposed scheme has been costed on the current number of active claims as at the time this report is submitted. It does not assume any further impact to the scheme brought about by changes to claimant circumstances (for example, as a consequence of any future Covid restrictions or their removal). It is not possible to estimate the impact of any unforeseeables, hence the model has been costed on the current position.

39. The changes brought about by the proposed simplified scheme, should generate capacity to undertake age debt collection (leading to a reduction in bad debt), and compliance (which would reduce potential fraudulent claims).

40. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal (appendix B) shows why remaining with the current scheme and various alternative options are not recommended.

## ***Policy Framework***

41. The CTS scheme does not change the Policy Framework.

## ***Equality and Diversity***

42. Any proposed alternative scheme shall be implemented in accordance with the Council's equality and diversity policies.

43. A Level 1 and Level 2 Impact Assessment has been carried out and can be found at Appendix E and F. Based on the proposed scheme, the Impact Assessments show that due to the Council's aim to adopt a proposed cost neutral Council Tax Support scheme, by increasing the maximum support from 85% to 90% there will be some who gain support and some who lose support. This impact is justified due to the aim to maintain a cost neutral scheme, and can be partially mitigated by the additional support available through the Council's Section 13a Exceptional Hardship fund.

## ***Risk***

44. This policy will impact positively on the following risks.

- 08-059 Incorrect assumptions in the MTFP;
- 08-075 Reduction in Council Tax Collection;

## **Actions to be taken to implement the decision(s)**

45. That Executive endorse the report to be submitted to Full Council. Following this, the scheme will be published on the Council's website by 11<sup>th</sup> March 2022

## **Appendices**

46. Appendix A – Other CTS schemes in the area and future plans  
Appendix B – Options appraisal - Rationale  
Appendix C – Consultation Questions  
Appendix D – Summary of consultation responses  
Appendix E – Level 1 Impact Assessment  
Appendix F – Level 2 Impact Assessment

## **Background papers**

47. There are no background papers associated with this report

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