

Middlesbrough Council - Council Tax Reduction Scheme 2022/23 Consultation

1. Background to the Consultation

What is this consultation about?

Each year the Council has to decide whether to change the Council Tax Reduction scheme for working age applicants in its area. This year the Council has decided to consult on proposals to significantly change the Council Tax Reduction scheme so that the overall level of support can be increased for those applicants on the lowest incomes, and due to the full roll out of Universal Credit within the area. In effect the traditional link between Housing Benefit (which will no longer be available to most new working age claimants) and Council Tax Reduction will no longer exist and it is essential that the scheme is changed to meet future requirements, to reduce administration costs and to ultimately prevent any additional costs being added to the Council Tax

What is Council Tax Reduction?

Council Tax Reduction is a discount for Council Tax. The level of discount is based on the income of the household. Currently the maximum discount is 85% of Council Tax for working age households and 100% for pensioners.

Why is a change to the Council Tax Reduction scheme being considered?

In April 2013 the Council Tax Benefit Scheme was replaced by a new Council Tax Reduction Scheme. Council Tax Benefit had been funded by the Department for Work and Pensions (DWP) and supported people on low incomes by reducing the amount of Council Tax they have to pay.

The Council Tax Reduction scheme is determined locally by Middlesbrough Council rather than the Department for Work and Pensions. Although the Government initially provided funding for the scheme, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to councils.

Applicants in receipt of income-based Jobseekers Allowance, Income Support and Income Related Employment and Support Allowance generally receive the maximum level of support. Others receive a level of Council Tax Reduction based on their income and other factors.

A separate Central Government scheme is retained for people of pension age and Councils are only able to vary their schemes for people of working age.

Each Council is required to review their schemes each year and decide if they want to make any changes. Before any proposed changes can be implemented, they must consult with the public.

The Council is proposing a number of changes to its existing scheme and, in line with legislation, we have a duty to consult with you and provide you with the opportunity to tell us your views on the proposed changes to our Council Tax Reduction Scheme.

The changes to the scheme are considered necessary for the following reasons:-

- The current scheme is means tested and as such is complex and difficult for many residents to understand. Administratively this is both time consuming and costly and is not in alignment with Universal Credit;
- Some residents are missing out, due to the complexities around the current claims process;
- The complexity of the scheme and its relationship to Universal Credit means that many Council Tax accounts are regularly rebilled, instalments are reset, amended bills are issued, and claimants are being told differing amounts to pay;
- Non- payment of Council Tax continues to be a problem for those on the lowest of incomes, and this scheme gives more support for many claimants on a low income;

The Council is consulting on the following proposed changes to its scheme for 2022/23:

Introducing an income 'grid' scheme for all working age applicants replacing the current scheme which was based on the previous Council Tax Benefit scheme. This will provide up to 90% support in certain cases (currently there is a maximum of 85%) **(Option 1)**. An 'income grid scheme' is a grid where you can look at how much weekly income you have and instantly see what discount you will get;

Limiting the number of dependent children used in the calculation of support to two for all working age applicants **(Option 2)**;

Removing Non-Dependant deductions **(Option 3)**;

Disregarding Carers Allowance, the Support Component of the Employment and Support Allowance and the housing element of Universal Credit in the calculation of income **(Option 4)**;

Removing all of the current earnings disregards** and replacing them with a standard £25 disregard for all applicants where they or their partner are in work **(Option 5)**;

Where a person is disabled and in receipt of certain disability benefits, allowing a further deduction from their income before calculating any entitlement to Council Tax Reduction **(Option 6)**;

Removing the Extended Payment provision **(Option 7)**. The extended payment provision continues to pay a council tax reduction for 4 weeks after a claimant starts work.

Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (**Option 8**); and

Allowing the discretion to backdate any discount to the commencement of the financial year where a good reason is provided (**Option 9**).

Reducing the maximum capital limit from £16,000 to £6,000 (**Option 10**)

In Middlesbrough, over 18,000 households currently receive Council Tax Reduction. The gross cost of the scheme is over £17,500.00 which is spread across the Council (83.55%), Fire (3.82%), and Police (12.63%) in accordance with the proportion of Council Tax which each organisation levies (which is shown in brackets).

**A disregard under the Council's proposed scheme means an amount which is not taken into account, or a standard amount which is deducted from a specific weekly income, before using that income in the calculation of the discount.

Who will this affect?

Working age households in the Council's area who currently receive or will apply for Council Tax Reduction.

Pension age households will not be affected as Central Government prescribes the scheme.

Are there any alternatives to changing the existing Council Tax Reduction scheme?

We have also thought about other ways to make the administration simpler. These have not been completely rejected (including maintaining the current scheme) and you are asked about them in the questionnaire, but, at the moment we do not think we should implement them for the reasons given.

We have considered:

- **Continuing with the current scheme**
This would mean less support and higher administration costs generally. Not making these proposed changes would significantly increase the administration of Council Tax Reduction. The current scheme will not work effectively with the Government's Universal Credit system. The multiple changes in Universal Credit inevitably lead to multiple changes in Council Tax Reduction. This would increase the costs for all council tax payers in the area paying towards the scheme. The decision to increase Council Tax may need to be made by voting in a local referendum; or
- **Reducing funding to other Council services to pay for additional administration costs**
Keeping the current Council Tax Reduction scheme will mean an increase in administration costs and less money available to deliver other Council services.

1. I have read the background information about the Council Tax Reduction Scheme: This question must be answered before you can continue.

Yes

No

2. Paying for the Scheme

2. Should the Council keep the current Council Tax Reduction scheme? (Should it continue to administer the scheme as it does at the moment?)

Yes

No

Don't Know

3. Please use the space below to make any comments you have on protecting the Council Tax Reduction Scheme from these proposed changes.

3. Option 1 – The introduction of an Income Grid scheme to replace the current scheme for all applicants of working age

As explained in the background information, the Council is primarily consulting on the following proposals to change the existing Council Tax Reduction Scheme from 1st April 2022, which will increase the overall level of support to those households on the lowest income and also reduce the administration cost of the scheme generally. The proposed changes will also make the scheme simpler. Please note that whilst the proposed changes are intended to reduce the level and cost of administration, the Council is not looking to reduce the total overall level of support available. In fact for the lowest income households, the proposed changes may increase the amount of reduction received. Your responses are a part of this consultation.

The current scheme for Council Tax Reduction is largely based on the previous Council Tax Benefit scheme which was assessed alongside Housing Benefit. Housing Benefit for working age applicants is being phased out and it is generally not now possible to make new claims. Whilst Housing Benefit was the main provider of housing support for working age persons, it was logical to maintain a Council Tax Reduction scheme that mirrored this approach. Now that Universal Credit is being rolled out, it gives the Council the opportunity to significantly simplify what is in effect a Council Tax Discount.

It is proposed that a simplified income 'grid' scheme will be introduced with some slight differences where applicants fall within a 'protected group *'. For 'non-protected' groups, Table 1 shows the level of discount available.

Table 1

| 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 |
|----------------------|----------|-------------------|------------------------------|---|-------------------|-----------------------|----------------------------------|
| Income Ranges | | | | | | | |
| Band 1 * | 90% | £0 - £100.00 | £0 - £160.00 | £0 - £220.00 | £0- £140.00 | £0 - £205.00 | £0 - £260.00 |
| Band 2 | 72% | £100.01 - £180.00 | £160.01 - £240.00 | £220.01 - £295.00 | £140.01 - £240.00 | £205.01 - £281.00 | £260.01 - £340.00 |
| Band 3 | 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 |
| Band 4 | 23% | £215.01 - £255.00 | £255.01 - £280.00 | £350.01 - £450.00 | £290.01 - £340.00 | £320.01 - £370.00 | £400.01 - £430.00 |
| | 0% | Over £255.00 | Over £280.00 | Over £450.00 | Over £340.00 | Over £370.00 | Over £430.00 |

* - Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given (unless they have savings or capital over £6,000).

The key principles of the scheme are as follows:

- The level of discount (shown in the grids) will be based on the total net weekly income (determined by the Council) of the applicant and their partner; and
- Income levels can vary in accordance with household size;

Certain other aspects of the current scheme will be carried forward into the new scheme such as Disability Living Allowance, Personal Independence Payments, Child Benefit and Child Maintenance. They will continue to be disregarded from the calculation.

- Introducing an income 'grid' scheme for all working age applicants replacing the current scheme. This will provide up to 90% support in certain cases (currently there is a maximum of 85%) (**Option 1**);
- Applicants receiving Income Support, Income Related Employment and Support Allowance, and Income-based Jobseeker's Allowance will fall into Band 1. Where applicants are not in receipt of those benefits and their income is above the levels specified in Band 1, Council Tax Reduction shall be awarded at the appropriate level (Bands 2, 3 & 4);
- The grid will be limited to a maximum of two dependants (**see Option 2**);
- No charges will be made for non-dependants who live with the applicant (**see Option 3**);

- Disregarding Carers Allowance and the Support Component of the Employment and Support Allowance and the Housing elements of Universal Credit (**see Option 4**);
- Removing all of the current earnings disregards and replacing them with a standard £25 disregard for all applicants where they are in work (**see Option 5**);
- Where a person is disabled and in receipt of certain disability benefits, allowing a further deduction from their income before calculating any entitlement to Council Tax Reduction (**see Option 6**);
- Removing the Extended Payment provision (**see Option 7**);
- Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (**see Option 8**);
- Allowing the discretion to backdate any discount to the commencement of the financial year where a good reason is provided (**see Option 9**);
- Reducing the maximum capital limit from £16,000 to £6,000 (**Option 10**).

It is inevitable that there will be a beneficial increase for some or a reduction in support for others, however, the Council is keen to protect as many applicants as possible. The Council is minded to increase the level of support to those on the lowest incomes.

The majority of applicants will receive the same or more support next year. In particular, parents and those in low paid jobs will often have less Council Tax to pay, however some households will have more to pay. Where an applicant experiences exceptional hardship, they will be able to apply for additional support from the Council under its new Exceptional Hardship Fund.

The possible benefits of changing the scheme:

- It provides more support to those on the lowest incomes;
- It provides a simpler scheme, easily understood by all applicants – see background for further details;
- It will save significant increases in administration costs due to the introduction of Universal Credit; and
- It should prevent applicants receiving multiple Council Tax demands during the year and prevents multiple changes to monthly instalments.

The possible disadvantages of doing this are:

- Whilst the Council will look to protect applicants as far as possible, there may be a reduction in support for some claimants; and
- Some households with more than two children or high capital are likely to receive less support.

4. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

5. If you disagree what alternative would you propose?

4. Option 2 - To limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two for all applicants.

Within the current scheme, applicants who have children are awarded a dependant's addition (an extra amount you can get if you have children) within the calculation of their needs (Applicable Amounts). From April 2017 the Government scheme limited dependants in Universal Credit, Housing Benefit and Tax Credits to a maximum of two. Some applicants were protected where they made a claim for reduction before that date and already had more than two dependants. The new scheme will be based on an income grid system which takes into account the number of dependants within the household; however, it will be limited to two, for all applicants.

Child benefit continues to be paid for every dependant and this will not count towards the applicants' household income for the purpose of calculating Council Tax Reduction.

The possible benefits to the Council of doing this are:

- Council Tax Reduction will be brought into line with other welfare benefits for all applicants; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- Applicants who have three or more dependants may receive less Council Tax Reduction. However, this is offset by the Child Benefit not being counted and, if the applicants face exceptional hardship, they may apply for additional support through the Council's Exceptional Hardship Scheme.

6. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

7. If you disagree what alternative would you propose?

5. Option 3 – To remove Non-Dependant Deductions from the scheme

Currently, where an applicant (and their partner if they have one) has other adults living with them such as adult sons, daughters etc., their Council Tax Reduction may be reduced. Any charge made is called a Non-Dependant Deduction. The Council currently makes a range of deductions depending on the circumstances of the non-dependant. In theory, the applicant should look to recoup this deduction from those adults. The Council cannot recover these charges from the non-dependant and must seek payment from the applicant, who may be in receipt of a low income or benefits.

The possible benefits of this option is:

- Applicants will not be worse off for having additional adults living with them (other than if they are living there commercially); and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- There are no financial disadvantages for removing non dependant deductions.

8. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

9. If you disagree what alternative would you propose?

6. Option 4 – Disregarding Carers Allowance, the Support Component of the Employment and Support Allowance and the housing element of Universal Credit

By moving to an income-based grid scheme it is essential that certain benefits are disregarded from the calculation of income. In order to protect the most vulnerable applicants, it is proposed that the following are not counted when assessing a person's income. These are:

- Carer's Allowance;
- The Support Component of Employment and Support Allowance; and
- Any amount determined by the authority as being awarded for the Housing Element of Universal Credit;

The possible benefits of this option is:

- It will assist and support the most vulnerable; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- There may be a slight increase in the overall cost of the scheme.

10. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

11. If you disagree what alternative would you propose?

7. Option 5 – Removing the current earnings disregards and replacing them with a standard £25 disregard for all working applicants.

Currently, where applicants (or their partner if they have one) have earnings and work over 16 hours per week, an earnings disregard is applied depending on their individual circumstances. A disregard is the amount we ignore of your weekly earnings before calculating what you are entitled to. The standard disregards (only one is awarded) are £5 per week for a single person, £10 per week for a couple, £20 per week if they meet certain conditions such as disablement or part time special employments or £25 for lone parents. If they work additional hours, in some circumstances they may receive an additional £17.10 disregard per week. Also, if child care is paid by the applicant above that received free from Central Government, then further disregards can be made again earnings for monies paid out.

The proposed change to the scheme would introduce a standard, single disregard of £25 for all applicants where they or their partner work. The disregard will apply against earnings only. All other earnings related disregards will be removed.

The possible benefits of this option is:

- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information..

The possible disadvantages of doing this are:

- There will be applicants with larger families and who have high child care costs (not met by Government schemes) who will see a reduction in support. (It should be noted that applicants that face exceptional hardship may apply for additional support under the Council's Exceptional Hardship Scheme)

12. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

13. If you disagree what alternative would you propose?

8. Option 6 - To allow further income disregards where an applicant, their partner or any dependant is in receipt of a disability benefit.

Where an applicant, their partner or any dependant who resides with them is disabled and in receipt of certain disability benefits, the Council will allow a further deduction from their income before calculating any entitlement to Council Tax Reduction.

This option replicates the rules which exist within the current scheme whereby a person who is entitled to a Disability Premium, Enhanced Disability Premium, Severe Disability Premium or Disabled Child Premium will have their income reduced (for calculation purposes).

The possible benefits of this option is:

- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.; and
- It protects the most vulnerable applicants.

14. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

15. If you disagree what alternative would you propose?

9. Option 7 – Removing the Extended Payment provision

In certain cases, where applicants have been in receipt of prescribed benefits (such as Income Support, Jobseekers Allowance or Employment and Support Allowance) and move into work which ends their entitlement, Council Tax Reduction can be paid for an additional 4 weeks after commencing work or increasing their hours. Similar provisions do not exist for Universal Credit claimants. As Universal Credit is to replace those existing (legacy) benefits, the Council's proposal is to align the scheme to other Government benefits.

The possible benefits of this option is:

- It will treat all applicants in receipt of DWP benefits equally; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information..

The possible disadvantages of doing this are:

- Applicants who are still in receipt of legacy benefits and who move into work before being transferred to Universal Credit may lose any potential extended payment.

16. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

17. If you disagree what alternative would you propose?

10. Option 8 – Any new claim or change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present).

New claims and changes in circumstances that affect entitlement to Council Tax Reduction, under the current scheme, are largely effected on a weekly basis. This is a 'throwback' to previous benefit schemes that were weekly based. As Council Tax is a daily charge, the Council believes it makes more sense to change entitlement to Council Tax Reduction on a daily basis. It should be noted that, the proposed new scheme is designed to reduce the number of changes that will affect entitlement in any event.

The possible benefits of this option is:

- It is in line with the way that Council Tax is charged and operated; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

18. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

19. If you disagree what alternative would you propose?

11. Option 9 – Extending the ‘backdating’ provisions within the scheme

The current scheme limits the backdating of any application for Council Tax Reduction to 1 month before the date of application where continuous ‘Good Cause’ is proven.

The Council is of the opinion that the backdating of applications should allow for better alignment with the date that the applicant's circumstances changed and that the Council be given a general discretion to backdate any discount to the commencement of the financial year where a good reason is provided.

The possible benefits of this option is:

- This option will allow the Council more flexibility in granting support where the applicant has a good reason for not claiming earlier; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

20. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

21. If you disagree what alternative would you propose?

12. Option 10 – Reducing the capital limit to £6,000

The current scheme has a capital limit of £16,000. It is proposed that the capital limit is reduced to a level of £6,000.

The possible benefits of this option is:

- It will make the administration of the scheme simpler as there will be no requirement to calculate a 'tariff' or assumed income from capital; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- Some applicants who have more than £6,000 capital will no longer be able to claim Council Tax Reduction. If entitlement drops below £6,000 further applications can be made.

22. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

23. If you disagree what alternative would you propose?

13. Alternatives to changing the Council Tax Reduction Scheme

If the Council keeps the current scheme, it will be less supportive to low-income households and administratively more complex. The proposals set out in this consultation will deliver more support and administration savings. The alternatives are set out in the background information.

Do you think we should choose any of the following options rather than the proposed changes to the Council Tax Reduction Scheme? Please select one answer for each source of funding.

24. Increase the level of Council Tax to cover the additional administration costs

- Yes
- No
- Don't Know

25. Find the additional administration costs by cutting other Council Services

- Yes
- No
- Don't Know

26. Do you have any further comments on the proposed scheme?

27. Do you have any alternative proposals for the Council to consider?

28. Do you have any further comments or questions regarding the Council Tax Reduction Scheme that you haven't had opportunity to raise elsewhere?

14. About You

We ask these questions to:

- find out if different groups of people in the Council's population have been able to take part in the consultation and identify if any groups have been excluded. This means it is not about you as an individual but to find out if people with similar characteristics have had their say.
- find out if different groups of people feel differently about the options and proposals in comparison to each other and all respondents. This means it is not about you as an individual but to find out if people with similar characteristics have answered in the same way or not.

This information is completely confidential and anonymous. Your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.

29. Are you, or someone in your household, getting a Council Tax Reduction in Middlesbrough at this time?

- Yes
- No
- Don't Know

30. What is your sex?

- Male
- Female
- Prefer not to say

31. Age

- 18-24
- 25-34
- 35-44

- 45-54
- 55-64
- 65-74
- 75-84
- 85+
- Prefer not to say

32. Disability: Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

- Yes
- No
- Don't know
- Prefer not to say

33. Ethnic Origin: What is your ethnic group? Select each that apply.

- Prefer not to say
- White British
- White Irish
- White Gypsy or Irish Traveller
- Any other White background
- Mixed/Multiple ethnic groups - White & Black African
- Mixed/Multiple ethnic groups - White & Black Caribbean
- Mixed/Multiple ethnic groups - White & Asian
- Any other multi mixed background
- Asian or Asian British Pakistani

- Asian or Asian British Indian
- Asian or Asian British Bangladeshi
- Asian or Asian British Chinese
- Any other Asian background
- Black African
- British Caribbean
- Black British
- Any other Black background

34. Other Ethnic Group

14. Next steps....

Thank you for completing the questionnaire.

Progress reports on the consultation will be added to our website.

You may submit further evidence, ideas, comments or questions (marked CTR consultation) by email to consultationportal@middlesbrough.gov.uk

The consultation closes on 30/11/2021.

We will listen carefully to what you tell us and take the responses into consideration when making a final decision on the 2022/23 scheme.

Following the decision, the full results from the consultation will be available on the Council's website.

The new scheme (if approved) will start on 1 April 2022. The Council will consider the impact of the scheme annually and consult again if it thinks further proposed changes need to be made.

The link to the survey: <https://arcg.is/11r8qX>