

**Cheltenham Borough Council**  
**Council– 10 December 2018**  
**Local Council Tax Support Scheme for 2019/20**

<b>Accountable member</b>	<b>Councillor Rowena Hay, Cabinet Member Finance</b>
<b>Accountable officer</b>	<b>Jayne Gilpin, Head of Revenues and Benefits</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>The Council is required to review its council tax support scheme for working age people each year and decide whether to revise it. Consultation on proposals to change the scheme for 2019-20 was undertaken from 25 July until 9 September 2018. Council is being asked to approve the revised scheme in Appendix 2 and summarised in Appendix 3 as the Council's Local Council Tax Support scheme for working age customers for 2019/20</p> <p>The scheme for pension age customers is set by Government and administered by the council</p> <p>Council is also being asked to approve the policy in appendix 5 for awarding discretionary council tax reductions in exceptional circumstances or due to severe financial hardship</p>
<b>Recommendations</b>	<p><b>Cabinet recommends that Council</b></p> <ol style="list-style-type: none"> <li><b>1) Approves the Local Council Tax Support Scheme for working age customers for 2019/20 in Appendix 2, in accordance with section 13A(2) of the Local Government Finance Act 1992</b></li> <li><b>2) Approves the Discretionary Hardship Relief Scheme in Appendix 5, in accordance with Section 13A(1)(c) of the Local Government Finance Act 1992</b></li> <li><b>3) Delegates decisions relating to the application of Section 13A(1)(c) Hardship Relief Scheme awards to the Head of Revenues and Benefits. In the case of a dispute a reconsideration is to be made by the Executive Director Finance and Assets in consultation with the Cabinet Member Finance</b></li> </ol>

<p><b>Financial implications</b></p>	<p>Since 2013/14 The Local Council Tax Support (LCTS) scheme operates in a similar way to discounts, such as for empty properties or single person occupiers. Rather than being accounted for as a benefit cash payment, the council tax base is reduced. Whilst this has no impact for the individual council tax payer, a lower council tax base reduces the tax yield to this Council, Gloucestershire County Council, Gloucestershire Police Authority and town and parish Councils. To offset this impact, the Government paid a cash grant to all local authorities which was 10% less than the funding for the previous council tax benefit scheme. This funding was rolled in to revenue support grant from 2014/15 and has therefore been subject to further cuts. From 2018/19 this council no longer receives revenue support grant and must fund its share of the cost of the scheme. Moving to the proposed scheme will reduce the cost of the scheme,. It will also reduce the administrative burden which is increasing as the Universal Credit rollout continues.</p> <p>The Council is required to fund any discretionary reductions awarded under section 13A(1)(c) of the Local Government Act 199. A budget of £20,000 will be set aside from the savings to fund any discretionary hardship relief payments. This will be in addition to the voluntary contribution by Gloucestershire County Council</p> <p><b>Contact officer: Paul Jones</b></p> <p><b>paul.jones@cheltenham.gov.uk, 01242 264365</b></p>
<p><b>Legal implications</b></p>	<p>The Welfare Reform 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.</p> <p>The Local Council Tax Support ‘LCTS’ scheme is required under Section 13A of the Local Government Finance Act 1992 (“the Act”) (updated in 2012). The Act states that for each financial year, councils must consider whether to revise their LCTS scheme or replace it with another scheme. The prescribed regulations set out the matters that must be included in such a scheme. Before making any changes, under Section 40 of the Act, the Council must, in the following order:</p> <ol style="list-style-type: none"> <li>1. consult with any major precepting authorities</li> <li>2. publish the draft scheme</li> <li>3. consult other parties likely to have an interest in the scheme</li> </ol> <p>The deadline for making decisions is now the 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect (under Para 5, Schedule 1A of the Act). If the Council does not make/revise a LCTS scheme by 11 March 2019, a default scheme will be imposed on the Council which will be effective from April 2019</p> <p>Contact officer: peter.lewis@teWKesbury.gov.uk, 01684 272012</p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>No direct HR implications arising from the content of the report.</p>

<b>Key risks</b>	<b>See appendix 1</b>
<b>Corporate and community plan Implications</b>	None
<b>Environmental and climate change implications</b>	None
<b>Property/Asset Implications</b>	There is nothing in this report which impacts on Council properties.

## 1. Background

- 1.1 Since 2013 the Council has been required to establish a Local Council Tax Support Scheme to help working age people on a low income to pay their council tax. This scheme replaced the national Council Tax Benefit Scheme.
- 1.2 The Council is also required to administer, but cannot alter, the national council tax support scheme for pension age customers.
- 1.3 Funding received from Government for the local council tax support scheme in 2013/14 was cut by 10% compared to funding for the previous council tax benefit scheme. The contribution from Government towards the scheme since 2013/14 has been rolled in to Revenue Support Grant and has continued to reduce in line with the other central funding cuts.
- 1.4 The majority of councils have chosen to reduce the amount of council tax support available. Cheltenham is now one of only 36 councils out of 326 that are continuing to provide the level of support available under the former Council Tax Benefit system.
- 1.5 A number of councils have now introduced a scheme based on income bands and more are proposing to move to this type of scheme in 2019/20. Taunton Deane and South Gloucestershire already have a scheme in place. Gloucester City and Cotswold District Councils are currently consulting with residents on proposals to introduce an income banded scheme.
- 1.6 In 2018/19, 290 councils have reduced the level of support available under their local council tax support scheme. 264 of these do not provide support up to 100% and require everyone to pay something. Of the 264, 159 councils require everyone to pay at least 20% of the council tax liability. An analysis of the most common changes made and the number of councils involved is below

<b>Changes made by Councils in 2018/19</b>	<b>Number of Councils out of 326</b>
No changes made - support in line with council tax benefit	36
Minimum entitlement ie Nothing awarded until entitlement exceeds £5 per week	70
Restricted Band eg no award if council tax band is higher than D	110
Lowered the savings limit above which no support will be paid ie from £16,000 to £6,000	104
Removed second adult rebate	217
Maximum award is less than 100% - everyone required to pay something	264

## 2. Reasons for recommendation

- 2.1 Council tax support is currently provided to just under 6,000 households in Cheltenham at an annual cost of almost £6m. This includes working and pension age claimants. Approximately 4000 of these households are of working age and the cost for these is £3.7m. The cost of the council tax support scheme is met by this council and the precepting authorities in proportion to the share of the council tax.

- 2.2 The local council tax support scheme works in a similar way to other council tax discounts. The tax base is reduced to take account of the reduction which reduces the tax yield to this Council, Gloucestershire County Council, Gloucestershire Police Authority and the parish councils
- 2.3 Each year the Council has to decide whether to make changes to its council tax support scheme for working age customers.
- 2.4 Funding received from Central Government for the council tax support scheme, as it is rolled in to revenue support grant, is not identifiable within the grant. As Government funding continues to reduce there is less funding available for council tax support.
- 2.5 Cheltenham has managed to maintain the same level of support for 6 years whilst the majority of Councils have reduced support.
- 2.6 Government has been clear that councils should look to maximise their own resources to support the continued delivery of key and critical services. The Local Government Association has advised councils that they should look to reduce expenditure on their local council tax support schemes before lobbying for additional funding.
- 2.7 Cheltenham became a full Universal Credit area in January 2018. Universal Credit is reassessed on a monthly basis and any changes in income under Universal Credit will mean that a different level of income also needs to be taken into account for assessing council tax support. A change in the level of council tax support, however small, means a revised council tax bill needs to be issued changing the payable amount. Issuing revised council tax bills on a monthly basis is costly but it is also very difficult for those customers affected to manage their finances when their monthly instalment amounts are not consistent.
- 2.8 In the 6 month period between April and September 2018, 6,922 Universal Credit notifications for council tax support purposes were received. A 6 week analysis was undertaken during May and June. Over the 6 week period 974 notifications were received. 424 resulted in the amount of support changing and revised bills being issued. Records were amended for the other 550 but did not result in a change to the amount. The number of notifications received is increasing each month as the number of customers on Universal Credit increases. The percentage discount scheme based on income bands is being proposed will mean that small fluctuations in Universal Credit will not cause the amount of council tax support to change.
- 2.9 On 23 July 2018 Full Council unanimously endorsed a consultation exercise on proposals for a revised council tax support scheme for 2019/20.

### **3. Consultation Results**

- 3.1 The consultation provided information about how the current scheme works and the funding arrangements, why changes were being considered and examples to explain the proposed changes. A number of questions were asked about the proposal to introduce a scheme based on income bands, whether we should ask everyone to pay something or protect the most vulnerable, whether we should restrict the maximum amount of support based on the council tax band and how we should treat certain types of income was undertaken from 25 July until 9 September 2018.
- 3.2 The consultation was made available on the Council's website with paper copies issued on request. During the consultation period it was promoted to benefit customers by the benefits team and flyers were issued daily with council tax bills and council tax support letters. It was also promoted by a link to the relevant page on the website on over 4,000 email communications to council tax payers and benefit customers.
- 3.3 130 people completed consultation responses were received and 3 letters or emails. Although this is a low number it is a good response when compared to some other Councils. Oxford City

Council consulted on similar changes and reported only 18 responses whilst Exeter reported 76.

- 3.4 Of the 130 respondents, 98% were Cheltenham council tax payers with 15% being in receipt of council tax support. More than 70% were working age and 63% were in employment. There was a fairly even split between male and female, 10% were disabled. Less than 20% of the respondents were other than white British ethnicity.
- 3.5 Consultation was also undertaken with Gloucestershire County Council, Gloucestershire Police and the parish councils.
- 3.6 The responses to the consultation have been analysed and together with the income and household composition of the current council tax support caseload, have been used to design the proposed scheme.
- 3.7 An analysis of the consultation responses is in appendix 4. A summary of the responses is below with an explanation of how they have been factored in to the proposed scheme

#### Change 1 - Introduce a% discount scheme based on income bands

Almost 70% of respondents agreed that this would be a fair way to help people.

A discount scheme based on 5 income bands is being proposed

#### Change 2 – Reducing the savings and capital people can have and qualify for council tax support

More than 54% agreed that the savings and capital limit should be reduced from £16,000. £6,000 or £3,000 was proposed but respondents were asked to state an alternative limit. Various limits were suggested and 33% of respondents preferred £6,000.

£6,000 is the limit in the proposed scheme

#### Change 3 – Continuing to provide 100% support

Over 59% of respondents agreed that we should continue to provide 100% council tax support. Of those that answered no, the majority thought that support should be between 75% and 90%

The proposed scheme is based on providing up to 100% support

#### Change 4 – Protecting certain vulnerable groups

Over 76% of respondents agreed that certain vulnerable groups should be protected by continuing to provide 100% council tax support for them.

The proposed scheme is based on providing up to 100% support for certain vulnerable groups

#### Change 5 – Ignoring child benefit as income

Over 57% agreed that child benefit should be ignored as income for the purposes of calculating a person's income.

The proposed scheme ignores child benefit

#### Change 6 – Ignoring child maintenance as income

48% of respondents agreed that child maintenance should be ignored as income for the purposes of calculating a person's income

The proposed scheme ignores child benefit

#### Change 7 – Contribution by non-dependants adults living in the property

59% of respondents agreed that council tax support should be reduced for a contribution to be made by non-dependants.

The proposed scheme requires a contribution to be made by non-dependants, based on income

#### Change 8 – Restricting support to lower council tax bands

Over 52% of respondents agreed that support should be restricted to Band E.

The proposed scheme restricts council tax support to Band E meaning that those in Bands F,G and H will receive support based on Band E

#### Change 9 – Shortening the period a claim can be backdated from 6 to one month

Only 34% agreed that the backdating period should be reduced to one month.

The proposed scheme retains the 6 month backdating period

#### Change 10 – Discontinuing second adult rebate

52% of respondents agreed that second adult rebate should be discontinued

The proposed scheme does not include second adult rebate

#### Change 11 – Reducing the temporary absence period when support will be paid

69% of respondents agreed that support should only be paid for up to 4 weeks whilst claimants are living outside the UK.

The proposed scheme includes a 4 week temporary absence period

The final question asked residents how the Council should continue to fund the council tax support scheme.

40% of respondents chose to reduce the level of council tax support and 25% chose to increase the level of council tax, 11% chose to reduce the funding for other council services.

The proposed scheme reduces the level of council tax support

- 3.8** The responses to the consultation have been analysed and together with the income and household composition of the current council tax support caseload, have been used to design the proposed scheme.

## **4. Proposed Scheme**

- 4.1** The draft scheme being proposed, which is based on income bands is summarised in appendix 2
- 4.2** The income band scheme is based on a completely different approach to the current scheme. The income bands set the percentage discount to be awarded based on the level of household income. The higher the level of income, the lower the percentage discount will be. Although the concept of the scheme is different it will continue to disregard certain types of income when calculating household income to ensure the most vulnerable continue to be protected. These include child benefit, child maintenance and certain disability benefits.
- 4.3** The consultation results have been analysed and the scheme being proposed includes the

changes that the majority of respondents were in favour of.

**4.4** The overriding aim of the scheme is to:

- Protect the most vulnerable individuals and families by continuing to provide 100% support to those on the lowest income
- Provide some financial support to low income individuals and families, based on their level of income
- Minimise the number of changes to the amount of support awarded and therefore the amount of council tax payable due to monthly Universal Credit reassessments
- Reduce the overall cost of the scheme to the taxpayer

**4.5** Although the majority of Councils have limited the maximum support the scheme proposed will protect the most vulnerable. The scheme is based on 5 income bands with the highest band providing support at 100% of the council tax liability, then reducing to 80%, 60%, 40% and 20% as household income increases.

**4.6** Adopting this scheme will reduce the support provided to some claimants, but will protect the most vulnerable and will reduce the overall cost of the scheme.

**4.7** Currently, council tax support of just under £3.7m is being paid to 3,976 households.

**4.8** The income bands and percentage discount being proposed with the number of council tax support recipients in each band are as follows

Income Band	Single person	Couple	Lone parent with children	Couple with children	Maximum percentage entitlement	Customers in band
	Income £					
Band 1	000.00 to 75.00	000.00 to 115.00	000.00 to 150.00	000.00 to 200.00	100%	2782
Band 2	075.01 to 100.00	115.01 to 150.00	150.01 to 175.00	200.01 to 250.00	80%	148
Band 3	100.01 to 125.00	150.01 to 200.00	175.01 to 225.00	250.01 to 300.00	60%	337
Band 4	125.01 to 150.00	200.01 to 250.00	225.01 to 275.00	300.01 to 350.00	40%	323
Band 5	150.01 to 175.00	250.01 to 300.00	275.01 to 325.00	350.01 to 400.00	20%	200

**4.9** Based on the caseload in September 2018 the table below shows the number of council tax support claimants who will see their council tax support reduce and by how much.. 2,747 claimants will continue to receive the same level of support that they receive now. 319 will see a small increase to how their level of income slots in to the income bands. 724 will see a reduction in support and 186 will no longer qualify for any support

Number of customers affected	Annual Reduction in Council Tax Support
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14	Over £1000
2	£900 to £999.99
16	£800 to £899.99
42	£700 to £799.99
43	£600 to £699.99
68	£500 to £599.99
91	£400 to £499.99
142	£300 to £399.99
115	£200 to £299.99
94	£100 to £199.99
97	£0.00 to £99.99
Total 724	

Number of customers affected	Annual gain in Council Tax Support
133	£0.00 to £99.99
186	Over £100
Total 319	

Number of customers affected	No change in entitlement
Total 2747	

Number of customers affected	No longer entitled to Council Tax Support
Total 186	

- 4.10** Again, based on the September 2018 caseload and 2018/19 council tax levels it is estimated that these changes would reduce the cost of the scheme by approximately £420,000, which is £52,000 to this council, £311,000 to Gloucestershire County Council and £57,000 to Gloucestershire Police. These savings will vary due to any fluctuation in caseload and increase in council tax levels.
- 4.11** Once the scheme is approved the Revenues and Benefits team will notify all those claimants who will be affected by the change to make them aware that they will have more council tax to pay in 2019/20. When council tax bills are issued in March next year further letters will be sent with bills to explain payment options.
- 4.12** An Equalities Impact Assessment (EIA) for the proposed scheme is in appendix 6. In a consultation response it was highlighted that an EIA was not carried out at consultation stage. The EIA was carried out at the stage the proposed scheme was designed following the results of the consultation being analysed.

## **5. Discretionary Hardship Scheme**

- 5.1** Section 13A(1)(c) of The Local Government Finance Act 1992 gives the Council discretionary powers to reduce the amount of council tax payable for individuals or classes of council tax payer. This power has so far been used mainly where there are exceptional circumstances such as flooding or a gas explosion
- 5.2** To mitigate the financial impact of the scheme on those most adversely affected a Discretionary Hardship Scheme Policy is being proposed in appendix 5 is. This scheme will enable officers to

apply a discretionary reduction in cases where there is severe financial hardship and/or there are exceptional circumstances..

- 5.3 The Council, as the billing authority, is required to fund the total amount of reductions awarded using this power rather than just it's share proportionate to the share of the council tax.
- 5.4 Agreements can be made with precepting authorities to fund their share and Gloucestershire county Council has agreed to fund its share of reductions awarded as a result of changes to the council tax support scheme.

## 6. Alternative options considered

- 6.1 Continuing with the current scheme has been considered but due to the way Universal Credit operates the Council needs to consider making some changes to the current council tax support scheme to simplify administration and reduce the volume and frequency of changes to council tax bills. It is not possible to retain the current scheme and reduce the cost.

## 7. Performance management – monitoring and review

- 7.1 If the proposed scheme is introduced from April 2019 it will be monitored closely by officers and will be reviewed before developing the scheme for 2020/21.

<b>Report author</b>	<b>Contact officer: Jayne Gilpin, Head of Revenues and Benefits</b> <b>Jayne.gilpin@cheltenham.gov.uk,</b> <b>01242 264323</b>
<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Council Tax Support scheme 2019/20</li><li>3. Summary of Council Tax Support scheme 2019/20</li><li>4. Consultation analysis and responses</li><li>5. Section 13 Discretionary Hardship Scheme</li><li>6. Equalities impact assessment</li></ol>

<b>Background information</b>	<ol style="list-style-type: none"><li>1. The Local Government Finance Act 1992, amended by the Local Government Finance Act 2012 <a href="http://www.legislation.gov.uk/ukpga/2012/17/contents">http://www.legislation.gov.uk/ukpga/2012/17/contents</a></li> <li>2. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 <a href="http://www.legislation.gov.uk/uksi/2012/2885/contents/made">http://www.legislation.gov.uk/uksi/2012/2885/contents/made</a></li> <li>3. The Council Tax Reduction Schemes (Amendment) (England) Regulations 2017 <a href="http://www.legislation.gov.uk/uksi/2017/1305/pdfs/uksi_20171305_en.pdf">http://www.legislation.gov.uk/uksi/2017/1305/pdfs/uksi_20171305_en.pdf</a></li></ol>
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The risk				Original risk score (impact x likelihood)			Managing risk					
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register	
1	If a working age council tax support scheme is not approved it will not meet the legal requirements to have a scheme in place by 11 March 2019.	Jayne Gilpin	06/11/2018	2	1	2	Accept	Cabinet then Council approves the report recommendations	10/12/18	Jayne Gilpin		
2	If there is a significant increase in caseload the level of savings might not be achieved	Jayne Gilpin	06/11/2018	2	3	6	Accept and Monitor	Monitor the caseload on a monthly basis		Jayne Gilpin		
3	If claimants affected by the proposed scheme are unable to pay their increased council tax liability then council tax arrears will increase	Jayne Gilpin	06/11/2018	2	3	6	Accept and Monitor	Monitor council tax records for those affected. Communication with council tax payers at all stages. Discretionary Hardship Scheme may provide support for in cases of severe financial hardship		Jayne Gilpin		
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**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close