

MUNICIPAL YEAR 2019/2020 REPORT NO. 43

MEETING TITLE AND DATE:

CABINET, 17th July 2019

REPORT OF:

Executive Director of Resources

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Agenda – Part: 1

Item: 8

Subject: Council Tax Support consultation

Wards: All

Key Decision No: 4906

Cabinet Member consulted: Cllr Maguire

1. EXECUTIVE SUMMARY

- 1.1 In January 2013 Council agreed a new local Council Tax Support Scheme to replace the previous national Council Tax Benefit Scheme which was to be abolished by the Government in April 2013.
- 1.2 Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme.
- 1.3 This report outlines options to amend the Council Tax Support Scheme for 2020/21, including the preferred option, which will be subject to a public consultation in the summer of 2019.

2. RECOMMENDATIONS

- 2.1 That Cabinet agree the preferred council tax support scheme change for 2020/21 to be the subject of public consultation as:
 - Reducing the maximum council tax support limit for working age claimants from 26.5% to 24.5% and increasing the excess income taper from 20% to 22.5%, and
 - Reduce the earned income threshold for working age council tax support claimants receiving Universal Credit from £1,265 to £1,100 per month.

3. BACKGROUND

- 3.1 The council tax support scheme provides financial support for residents to pay their council tax. Every year the council sends out over 125,000 council tax bills totalling £175m (before the council tax support scheme is applied). Enfield's scheme supports over 8,500 pensioners at a cost of £10.1m and 26,400 in other groups at cost of £22.3m. The 2019-20 Scheme is set out in Appendix A. The scheme is agreed annually by Council in the January for the following financial year. Statutorily the council is required to decide to amend the Scheme or not and should changes be proposed, this requires consultation with residents. The history to the scheme is set out below.
- 3.2 There are rules around what the council can and cannot do with Council Tax Support Schemes. For example, we cannot change the prescribed regulations for pensioner's, but we do have control over working age assessments.

History

- 3.2 In 2012 the Government announced that as part of a series of welfare reforms, the national Council Tax Benefit scheme was to be abolished and replaced with local schemes. At the time, funding for the replacement local schemes was reduced by 10% and Enfield faced a £5m shortfall in funding if it continued to follow the previous national policy.
- 3.3 Enfield consulted widely on a proposed local scheme and in January 2013 approved a scheme which saw pensioners and war widows protected from any change and working age claimants seeing a 19.5% reduction in support. The Scheme was based on the principle of a fully funded scheme so that minimum contributions are set at a level to cover the costs of the scheme only and council tax payers are not asked to contribute to the costs. At the same time, Council agreed changes to exemptions and discounts to Council Tax which saw the discount for empty and refurbished homes reduced to one month, no discount given for second homes and the introduction of a new empty homes premium of 150% of Council Tax for homes left empty for more than two years, the maximum increase allowable.
- 3.4 In 2014-15, the scheme was no longer funded as a separate government grant and became integrated in the council's budget. The Scheme was reviewed in this year, and the Council increased the range of protected groups further to include foster carers registered with the Council, people in receipt of Carers Allowance and people in receipt of higher rate disability benefits (Higher Rate Disability Living Allowance, Higher Rate Personal Independence Payments and the support component of Employment Support Allowance). This means that if you are a carer on the minimum needs allowance, for example, and your council tax bill was £1,000 a year, the carer would receive the full £1,000 in council tax support and would not be required to pay the minimum contribution.

- 3.5 Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme.
- 3.6 During 2017/18 the Government has included Enfield Council in the roll out of Universal Credit full service. The current council tax support scheme for 2019/20 takes into account the effect of the roll out of Universal Credit and ensures the scheme remains affordable while at the same time seeks to protect vulnerable council taxpayers.
- 3.7 For 2019/20, the government changed the legislation so that empty homes attract a 200% premium on their council tax, effective from the 1st April 2019.

How does the current scheme work?

- 3.8 The Scheme assessment process is complex and therefore difficult to explain as each household circumstances are different and each of these circumstances are taken into account when calculating the council tax support. For example, two households with the same income levels in the same council tax banding, will pay different levels of council tax support depending on how many children are in the household for example. But broadly, simplifying the scheme works as follows:
- For claimants receiving the a passported benefit e.g. Income Support, Jobseekers Allowance (income based), Employment support Allowance (income-related) – the minimum they have to pay is 26.5 %
 - For claimants with income above the income threshold – once they are over the minimum applicable amount (applying the governments threshold) they pay an additional 20% of the excess income – this is known as the Income 'taper'.
 - Pensioner age council tax support claimants can receive 100% of the council tax if they are on or below the minimum income threshold.

4. ADDITIONAL SUPPORT FOR HARDSHIP

- 4.1 In recognition of the difficulties faced by local households, the Council introduced and has maintained a discretionary Council Tax Hardship Scheme. Households facing exceptional financial hardship can apply to the scheme and receive help with their Council Tax. Payment from the Council Tax Hardship Scheme this year will exceed £200,000. The Council Tax Hardship Scheme is called upon over time not simply within the current financial year of the scheme.
- 4.2 Further, the council also provides core funding to the Citizens Advice Bureau of £340k which includes the provision of debt advice.
- 4.3 For 2019/20 the council is exploring ways to change our debt collection processes to support our more vulnerable council tax payers. Following the conclusion of the consultation, should this proposal be agreed, any additional available resources from this Scheme change will be re-invested to support these improvements.

5. AMENDMENTS TO THE COUNCIL TAX SUPPORT SCHEME CONSIDERED

- 5.1 For 2020/21 the current scheme has been reviewed to see whether the minimum contribution for households living on the basic needs allowance can be reduced from the current 26.5%. The impact of this proposal is to reduce the council tax bills for residents who have the lowest income levels and are in receipt of Council Tax Support.
- 5.2 There are many ways to assess council tax support but given the financial position outlined in the Medium-Term Financial Plan (updated at July 2019 Cabinet) the council must manage the cost of any future council tax support scheme within its projected financial constraints. Therefore, the aim of this proposal to reduce the threshold is funded from within the current scheme envelop.
- 5.3 Universal Credit was introduced in 2013 by the Government to gradually replace 6 means tested benefits, including Housing Benefit. It only affects working age claimants. From 2015 the roll out of Universal Credit commenced in Enfield. To date over 3,000 housing benefit claims have been cancelled as tenants are migrated across. Over 5,500 council tax support claimants currently receive Universal Credit. As set out above the council's CTS scheme was amended in 2017-18 to take account of this new benefit. However, since then, the Government has increased the Universal Credit work allowance and the current Scheme needs to be reviewed for residents in receipt of this benefit because there is now a disparity in the way the scheme works for residents on universal credit and other types of benefits.
- 5.4 The proposal for consultation is set out below:

Proposal for consultation

- 5.5 **Reducing the maximum council tax support limit and increasing the excess income taper.**

What is the proposal? – The proposed council tax support change for 2020/21 is to decrease the minimum payment level from 26.5% to 24.5% and to increase the excess income taper from 20% to 22.5%.

What is the impact on the resident? - The change in minimum payment level will benefit all claimants and cost the council £290,000 while only claimants with income above their applicable amount (the Government assessment of basic living needs) will be impacted by the increase in the income taper.

This option would reduce the council tax payable for c12,200 council tax payers on the lowest level of income not affected by the income taper by on average £0.60 per week. Some 7,300 household's above the basic needs allowance level would be affected by the increase in income taper by £0.49

per week on average. The range and households impacted by the proposed change are shown below:

Weekly Saving Breakdown Working Age		Couple one or both over 18	Family one or both over 18	Lone parent	Single claimant
£ Range	No of Claims	43	582	521	258
£0-0.50	1404	58	769	749	344
£0.51-1.00	1920	63	750	761	213
£1.01-1.50	1787	40	560	495	120
£1.51-2.00	1215	30	304	204	52
£2.01-2.50	590	17	213	59	15
£2.51-3.00	304	6	54	11	5
£3.01-3.50	76	2	21	2	3
£3.51-4.00	28	3		2	
£4.01-4.50	5	262	3253	2804	1010
	7329	3515		3814	
		<i>Couples</i>		<i>Singles</i>	

What is the impact on the budget? – Reducing the minimum payment will increase the cost of the council tax support scheme by £290,000. Increasing the income taper to 22.5% will increase council tax income by 22.5%, an overall estimated net saving of £100,000.

What does the proposal achieve? – The proposal means that benefits claimants on or below the basic needs allowance, i.e. those on the lowest income levels will pay reduced council tax e.g. residents receiving Job Seekers Allowance, Income Support, Employment Support Allowance. Claimants who are above the threshold will pay an additional 2.5% of their income above the threshold towards their council tax bill.

5.6 Amend the universal credit earned income threshold.

What is the proposal? - An administrative change to the council tax support scheme to adjust the earned income threshold for residents claiming Universal Credit from £1,265 to £1,100 per month. Currently 5,500 households receive Council Tax Support based on an award of Universal Credit.

This change will reduce the threshold to align with a recent increase in the Universal Credit earned income disregard (known as the Work Allowance) by the Department of Work and Pensions from 1st April 2019 and will also ensure the council tax support scheme for council tax payers receiving Universal Credit remains equitable when compared with non-Universal Credit Council Tax Support assessment.

What is the impact on the resident? - This would impact 122 current Universal Credit claimants by an average of £17.67 per week. The range and households impacted by the proposed change are shown below:

Working Age Not Protected		Couple one or both over 18				Family 1 or both state pension		Family one or both over 18		Lone parent over 25 or	
		18		pension		both over 18		Lone parent over		Single claimant	
£0-£5	0										
£5-10	5			1				1		2	
£10-15	25			2		0		13		10	
£15-20	40			1		11		22		6	
£20-25	47			4		1		28		9	
£25-30	4					2		1		1	
£30-35	1					1					
	122	8		1		43		46		24	

What is the impact on the budget? - This change will increase council tax income for the council by £112,000, based on current levels.

What does the proposal achieve? – The proposal will ensure the council tax support scheme assessment remains equitable for Universal Credit and non-Universal Credit working age claimants in preparation for the possible introduction of an increased number of income banding levels in future years.

6. PROPOSED CONSULTATION PROCESS

6.1 The consultation is proposed to take 12 weeks and would commence shortly after the July Cabinet decision is made. The consultation would include:

- Physical copies of the consultation in all of borough libraries and the Customer Service Centre
- Online consultation form via the Council's website
- Targeted social media campaign
- Targeted communication with existing contacts on the Council Tax database

6.2 As specified in the legal advice, the consultation will include three proposals, the preferred proposals set out here and the no change option.

7. REASONS FOR RECOMMENDATIONS

7.1 The recommendations contained in this report follow an assessment of options, experience of operating the scheme to date and the Equality Impact Assessment. The recommended changes introduced in 2014 for defined

protected groups and the further extension of care leavers under the Equality Impact Assessment support the Council's aims to build strong, stable communities and are recommended to be continued next year.

8. COMMENTS OF OTHER DEPARTMENTS

8.1 Financial implications

The agreed Council Tax base will be built into the 2020/21 budget and Council Tax to be recommended to Council in February 2020. The overall cost of £32m for the Council Tax Support Scheme for 2020/21 would be reduced by an estimated £100,000 and £112,000 respectively based on 2019/20 council tax levels as a result of the proposals contained in this report subject to public consultation. This is net of the Greater London Authority share and would be reflected in the Council's council tax collection fund estimate to be agreed in January 2020. These figures are based on the current cohort of resident and therefore are an estimate. Should, post consultation, this proposal proceeds, this will potentially provide additional resources to support an improved debt prevention and debt collection improvement processes.

8.2 Legal implications

- 8.2.1 The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefit (CTB). Provisions for the localisation of Council Tax support were included in the Local Government Finance Act 2012. Since 1 April 2013 local authorities in England have been responsible for administering their own Council Tax Reduction Schemes subject to the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885). Some authorities chose to adopt the default scheme provided for in the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) Regulations 2012 (SI 2012/2886). Each year, after a Council Tax Reduction Scheme (Council Tax Support Scheme) has been implemented, the Council must consider whether to revise or replace its scheme. Any revision or replacement to the scheme must be made by 11 March, preceding the financial year in which the revision or replacement is to have effect. The Secretary of State prescribed a default scheme which took effect from April 2013 where a billing authority failed to make a scheme on or before 31 January. Following the Independent Government review in the Schemes (see below), there was a finding that that Councils find the date of 31st January, as arbitrary, illogical, too early and inefficient. Key Government announcements and budgetary decisions may impact as the consultation process may have concluded resulting in potentially, a further consultation exercise.

This default scheme retains the criteria and allowances previously in place for CTB (Council Tax Benefit). Authorities can revise or replace their schemes in preparation for the start of each financial year. They may not make in-year

revisions. Transitional arrangements must be put in place where revisions result in a reduction or removal of assistance for a class or classes of persons.

As the proposed Council Tax Support Scheme for 2020/2021 will be a replacement or revision to the current scheme it falls under the statutory requirement to consult under the 13A Local Government Finance Act 1992, which is the Act under which the Council Tax Support Schemes are formed. If there is a replacement or revised scheme, proposed, then the statutory duty to consult is mandatory.

8.3 Property Implications

None

9. Key Risks

- 9.1 The key risks relate to operational, financial and reputational concerns. There is an operational risk of failure to collect the estimated amount, e.g. if any category of exemption has not been specified and following implementation of the scheme the Council is unwilling to pursue recovery action in particular cases of default. The operational risks are mitigated by assisting payers with supportive payment arrangements and by applying fairly, consistently and promptly the recovery process.
- 9.2 The financial risk is of insufficient collection rates and of Universal Credit caseload rises being beyond those anticipated in calculating the Local Scheme costs and deductions required from support. In the initial year of the scheme there was a risk that collection rates may be over or under stated. The Council has adjusted anticipated ultimate collection rates in the scheme for 2018/19 based on experience to date and the impact of increase in contribution rates. Variation between the estimated and actual collection rates and caseload levels will result in either a deficit (or surplus) on the Collection Fund in future years. The current Medium-Term Financial Plan assumes variation to current assumptions. The cost of the 19/20 scheme will be monitored, paying particular attention to those on Universal Credit with a net Earned Income up to the revised level. Options to introduce more earned income bands, for those getting Universal Credit, to attract different maximum contribution rates will be considered for 2021/22.
- 9.3 The reputational risk is of failure to make proper provision for people on low income losing some of the current level of support. The reason for this scheme arises from a Government decision to replace the existing national scheme with local schemes with reduced grant funding and clearly considerable help will need to be available to payers facing increased Council Tax bills as a result of the change in scheme. Conversely, failure to properly pursue payment of Council Tax due in such cases would create inequality of treatment with other Council Taxpayers many of which will have income levels only marginally above the limit for obtaining Council Tax Support.

10. IMPACT ON COUNCIL PRIORITIES

10.1 Good homes in well-connected neighbourhoods, Sustain strong and healthy communities, Build our local economy to create a thriving place

Council tax income helps fund essential Council services. Council tax support helps households on a low income pay the council tax. Enfield's Local Council Tax Support helps over 35,000 residents pay the council tax. The Council works closely with residents and its partners to maximise welfare benefits where possible.

10.2 Sustain strong and healthy communities

Enfield's Local Council Tax Support helps over 35,000 residents pay the council tax. The Council works closely with residents and its partners to maximise welfare benefits where possible.

10.3 Build our local economy to create a thriving place

N/A

11. EQUALITIES IMPACT

As part of the modelling undertaken for this proposal and equalities impact assessment has been undertaken. The modelling of the average weekly change, range, no. of claims and households affected by the proposals and indicates a broad range of affected households and no one particular household group impacted more than another. The recommendations contained in this report retain financial support for protected working age vulnerable groups.

12. PERFORMANCE MANAGEMENT IMPLICATIONS

None.

13. PUBLIC HEALTH IMPLICATIONS

Council tax support helps residents who may also be struggling financially due to the wider Government welfare changes. The implications will depend upon the success of residents gaining employment or, for those in low paid employment, obtaining better paid employment. Supporting people facing hardship and stress will be key to promoting the ability of families to provide healthy food, to pay bills and to promote sound mental health.

APPENDICES

Appendix A – 2019/20 Council Tax Support Scheme

Appendix B – Draft 2020/21 Council Tax Support Scheme changes

Appendix A

The Council Tax Reduction Scheme - Summary - 2019/20

Introduction

The London Borough of Enfield's Council Tax Reduction Scheme is based on the CTRS (Default) Scheme Regulations 2012 except where otherwise stated and the Prescribed Regulations updated and issued annually by Government.

The definition and detail of the above Regulations can be found on the National Legislation website below.

<http://www.legislation.gov.uk>

The full CTRS Scheme for 2018/19 can be found at the following link –

<https://new.enfield.gov.uk/services/benefits/housing-benefit-and-council-tax-support>

The 2019/20 scheme is based on the 2018/19 scheme, updated for legislative amendments, income updating and administrative changes

Principles of the Scheme for 2019/20

The principles of the scheme continue to provide for a system based on -

Ensuring that those who can afford to pay make a fair contribution;

Support is provided for those in difficult circumstances;

The Scheme protects the most vulnerable.

The reduction in Council Tax Support for working age reflects the on-going reduction in Government funding for the scheme and other services.

Classes of Persons

Classes of persons excluded from the Scheme are set out in the Prescribed Regulations, including those treated as not resident in Great Britain and who are subject to immigration control.

Uprating

Working Age claimants – The uprating of applicable amounts, premiums and disregards are updated in line with the Housing Benefit Statutory Regulations 2006 as amended.

Pensionable Age claimants– The uprating of applicable amounts, premiums and disregards are updated in line with the Prescribed Regulations issued by the Ministry of Housing, Communities and Local Government.

Working Age Claimants

The main changes to the Default Scheme Regulations 2012 are summarised below–

The second adult rebate (2AR) was removed from 2013.

The higher rate non-dependant deduction is £20.50 per week for those earning above £436.90 gross income per week. All other non-dependant deductions have been increased in line with the Prescribed Regulations.

Claimants in receipt of Universal Credit and earning more than £1,264.99 **net** per month do not qualify for CTS. Only those whose income goes above £1,264.99 per month need to report a change which will result in the award ending. The effective date of change will be the Monday following the date Universal Credit changed.

The contribution towards Council Tax is 26.5% unless a claimant is in a protected group.

The upper Capital threshold is £6,000.

The minimum weekly entitlement is 0.50p

Claims may be backdated for up to 12 months where good cause has been established.

CTS may be payable on two homes in cases of Domestic Violence.

The restriction on Personal Allowances to two children is aligned with Housing Benefit. This restriction will only apply where a new application for CTS is made or a claimant becomes responsible for a new young person.

A Council Tax Hardship Fund was introduced in 2013. Information regarding the fund is available at <https://new.enfield.gov.uk/services/benefits/discretionary-payments>.

Protected Groups.

The following groups are exempt from the contribution towards their Council Tax.

War Widows

A Claimant or partner in receipt of Carers Allowance

A Claimant or partner in receipt of High Rate Disability Living Allowance (Mobility and Care component) or Enhanced Personal Independence Payments (Daily Living and Mobility Component)

A Claimant or partner in receipt of the support component of Employment and Support Allowance.

A Claimant or partner who are Foster Carers and who were recruited and trained by Enfield Council.

Care Leavers under 25 years old.

Pensioners

The second adult rebate (2AR) is retained for those of pensionable age.

Non-dependant deductions and income bandings are increased in line with the Prescribed Regulations.

Backdating may be awarded for up to 12 months where good cause has been established.

The date of change for those reporting a change in their circumstances is the Monday following the date of change, regardless of the date notified.

Where Housing Benefit or Universal Credit is already in payment, a new claim for Council Tax Support is not required.

Appeals

A claimant can make an appeal to the Council concerning their entitlement to a Council Tax reduction under the Scheme or the amount of reduction they are entitled to. The appeals procedure is set out in the Prescribed Regulations.

An appeal must be made within one month of the decision and include the reason for the appeal and the period it applies to. Any additional evidence to support the appeal should be provided. The Council will consider the appeal and inform the customer of the outcome. Were a customer remains dissatisfied they can appeal further to the Valuation Tribunal.

Appendix B

The Council Tax Reduction Scheme - Summary - 2020/21 Proposed Change

Working Age Claimants

The main changes to the Default Scheme Regulations 2012 are summarised below–

The second adult rebate (2AR) was removed from 2013.

The higher rate non-dependant deduction is £20.50 per week for those earning above £436.90 gross income per week. All other non-dependant deductions have been increased in line with the Prescribed Regulations.

Claimants in receipt of Universal Credit and earning more than £1,099.99 net per month do not qualify for CTS. Only those whose income goes above £1,099.99 per month need to report a change which will result in the award ending. The effective date of change will be the Monday following the date Universal Credit changed.

The contribution towards Council Tax is 24.5% unless a claimant is in a protected group.

The upper Capital threshold is £6,000.

The minimum weekly entitlement is 0.50p

For excess income, the income taper of 22.50 per cent (previously 20 per cent) will be used to calculate the amount of reduction to be made

Claims may be backdated for up to 12 months where good cause has been established.

CTS may be payable on two homes in cases of Domestic Violence.

The restriction on Personal Allowances to two children is aligned with Housing Benefit. This restriction will only apply where a new application for CTS is made or a claimant becomes responsible for a new young person.

A Council Tax Hardship Fund was introduced in 2013. Information regarding the fund is available at <https://new.enfield.gov.uk/services/benefits/discretionary-payments>.