

# Chichester District Council

## THE CABINET

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### Determination of the Council Tax Reduction Scheme for 2018-2019

#### 1. Contacts

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#### 2. Recommendation

- 2.1. That the Cabinet recommends that the proposed Council Tax Reduction Scheme for 2018-2019 be approved by the Council.**

#### 3. Background

- 3.1. The Welfare Reform Act 2012 and the Local Government Finance Act 2012 abolished the national council tax benefit (CTB) scheme and put in place from 1 April 2013 a framework for local authorities to create their own local council tax reduction (CTR) schemes.
- 3.2. The government legislated that people of pensionable age will continue to receive support based on national rules (prescribed regulations). The Council's scheme encompasses both pensioners (over which the Council has discretion only to improve the statutory provision) and working age claims (over which the Council has complete discretion as to how to draw up its scheme).
- 3.3. The government has laid down the process by which a local council tax reduction scheme can be put in place and renewed each year. In accordance with that process, officers have prepared and recommend the attached scheme. This scheme must be approved by the Council before 31 January 2018 or the previous year's scheme will continue to have effect.
- 3.4. The cost of CTR is by way of deduction from the tax base, which has to be set by the Cabinet in December. Although the legislation permits the CTR scheme to be approved in January it really needs to be considered and agreed before tax base can be set.
- 3.5. The cost of the scheme is shared between all precepting authorities. This Council's share is approximately 9% of the total scheme cost, with the rest being funded by Sussex Police, West Sussex County Council and the parish councils.

- 3.6. In 2013 Universal Credit (UC) was introduced in pathfinder local authorities, with roll out for the first phase of local authorities commencing in October 2013. In the Chichester District we have rolled out with UC for single people of working age. To date this has had minimal impact as generally this group do not have housing costs.
- 3.7. Roll out of UC full service for Chichester District will commence in April 2018. From this date UC will apply for all new working age claimants. Therefore we anticipate a significant increase in the number of claimants moving from HB to UC. As we are still responsible for CTR claims we will see a drop in HB claims but our CTR caseload will remain generally the same.
- 3.8. At its meeting on 11 July 2017 the Cabinet authorised officers to consult on a scheme that continued to support claimants on low incomes whilst ensuring that the administration of the scheme remained cost effective.

#### **4. Outcomes Achieved**

- 4.1. The adoption of a fair and equitable CTR scheme for 2018-2019.

#### **5. Proposal**

- 5.1. The proposed CTR scheme for 2018-2019 is based on the current CTR scheme but with the introduction of a new class for working age persons in receipt of UC. These persons will fall into a new class F in the scheme and will have the level of CTR calculated in accordance with income bands. Further details on how this will be calculated can be found in appendix 1 to this report.
- 5.2. The way in which entitlement is calculated for persons not in receipt of UC will remain in line with the current CTR scheme. These are working age classes D to E in the draft scheme document attached in appendix 1 to this report. It is proposed that the scheme for these classes be updated to account for any changes that have happened to the HB scheme which are relevant to the calculation of CTR. This includes levels of non-dependent deductions, living allowances and disregards supplied for housing benefit by the Department for Work and Pensions which will be published later in the financial year. This aligns the assessment rules for these schemes, making it easier to administer and understand.
- 5.3. Chichester's CTR scheme has protected people on the lowest incomes since 2013 and the intention is for this to continue in 2018-19. A banded scheme for working age claimants in receipt of UC has been introduced for the first time and it is acknowledged that there is a risk that the scheme may not protect those in vulnerable circumstances. This will be mitigated by a discretionary hardship policy that sits within the scheme which is sufficiently flexible to ensure that claimants who fall to be considered by the banded scheme are not disadvantaged.
- 5.4. A discretionary fund was proposed and consulted on, and the results supported this. It is proposed that the mechanism for delivering this be by updating the existing discretionary policy provided for in the existing scheme. Where a claimant is able to demonstrate financial hardship as a consequence of the new banded scheme an award adjustment can be made should the Council decide

that it is appropriate. Details can be found in the draft scheme document in appendix 1 to this report. It is intended that this be monitored in year one of the new scheme and a discretionary fund considered and proposed for future years should it be considered that this route is preferable.

- 5.5. The scheme also accords with previous years in disregarding certain war related pensions.

## **6. Alternatives Considered**

- 6.1. We consulted on proposals to leave the 2017-18 scheme unchanged for 2018-19. This proposal is not favoured because the nature of UC means that CTR claimants will have regular minor changes in their income which will result in regular changes in CTR entitlement. This would result in a revised council tax bill each time their income changes which would be costly to administer and potentially difficult for the claimant to manage in terms of budgeting on a low income.
- 6.2. To date the cost of administering a CTR claim has been minimised because it is processed along with the HB claim using the same computer system and documentary evidence to calculate entitlement. As HB claims migrate onto UC the average cost of administering CTR claims will increase.
- 6.3. The level of funding received from the DCLG to cover the costs of administering the scheme has fallen by 4.6% to £115,000 for 2017/18. It is anticipated that this trend will continue, along with a likely reduction in Housing Benefit administration subsidy as UC rolls out further. Therefore the Council needs to react to welfare reform such as UC in a way that mitigates the effect of increased costs, while maintaining a scheme that supports its communities.
- 6.4. The combination of the factors referred to above has led officers to recommend that a change to the scheme for those claimants receiving UC will be more convenient and transparent for claimants and will keep the cost of administration to a minimum.

## **7. Resource and Legal Implications**

- 7.1. The predicted spend on CTR when tax base was set in December 2016 for 2017-18 was £6,990,172. The revised 2017-18 cost is now estimated to be £6,894,096 (as at the end of August). This compares with £7,318,176 in 2013-14.
- 7.2. Future CTR expenditure is difficult to predict, however it has remained constant since the introduction of local schemes. However external factors could influence expenditure, such as an economic downturn, loss of a local employer or extended welfare reform.
- 7.3. The Northgate system used to determine and award CTR entitlement will need to be adapted to accommodate this change, this will require bespoke consultancy which has been accounted for within existing budgets.
- 7.4. This process has been carried out in accordance with the regulatory requirements for CTR changes under Welfare Reform Act and Local

Government Finance Acts of 2012. The local authority equality duty is engaged and the equalities impact assessment should be considered by members as part of the consideration of this report.

## **8. Consultation**

- 8.1. A consultation with West Sussex County Council, Sussex Police, stakeholders and the community on the draft scheme for 2018/19 was carried out during August and September. The full report can be found at appendix 2.
- 8.2. 52.9% of respondents either agreed or strongly agreed that a banded scheme for UC claimants should be implemented with 18.5% either disagreeing or strongly disagreeing. The remaining 28.6% responded neither or don't know.
- 8.3. 80.3% of respondents either agreed or strongly agreed that a discretionary hardship fund should be implemented if the banded scheme is implemented with 4.2% disagreeing, the remaining 15.5% responded neither or don't know.
- 8.4. 28.2% of respondents either agreed or strongly agreed that there should be no changes to the existing CTR scheme with 33.8% either disagreeing or strongly disagreeing, the remaining 38% responded neither or don't know.
- 8.5. Overall of the two options the banded scheme for UC claimants was preferred by 49.3% of respondents, making no changes was preferred by 29% of respondents with 21.7% responding don't know.

## **9. Community Impact and Corporate Risks**

- 9.1. The corporate risk to the authority is setting a CTR scheme which is unaffordable. This risk is reduced by setting a scheme which is broadly in line with the existing one so expenditure can be predicted. The new banded Working Age Class F has been designed to minimise administration rather than reduce the level of CTR that is awarded. It is anticipated that claimants in this group will receive broadly the same amount of CTR as other claimants in the same circumstances who fall into the other working age classes. Modelling expenditure using the limited sample of UC cases that we have at present indicates that expenditure for Class F will increase slightly. The estimated increase would be around £50,000.00, of which CDC would contribute around £4,500 this represents an increase of 0.7%. However this increase would be offset by savings in the cost of administration, a reduction in expenditure due to other welfare reforms and an anticipated continued reduction in expenditure which has been seen in previous years.
- 9.2. Should there be a downturn in the economy there is a risk that the scheme will cost more than estimated.
- 9.3. The community impact is reduced by keeping the calculation of entitlement as close to the previous CTB scheme as possible.

## **10. Other Implications**

<b>Crime and Disorder</b>	None
<b>Climate Change</b>	None
<b>Human Rights and Equality Impact</b>	Yes
<b>Safeguarding</b>	None

## **11. Appendices**

11.1 Draft Council Tax Reduction Scheme 2018-2019

11.2 Council Tax Reduction Scheme Survey 2017

11.3 Equalities Impact Assessment 2018-2019

## **12. Background Papers**

12.1 The full detailed scheme, for which Council approval is sought, has been commissioned from ACS Ltd: it will be published on the Chichester District Council website when it has been received.