

## **Council Tax Reduction Scheme for 2018 - 19**

### **Appendix 1: Proposed changes to the CTR scheme for the 2018 - 19 financial year**

#### **Introduction**

Officers are seeking authority to consult on changes to the CTR scheme for 2018 – 19. The cost of administering the scheme particularly for those in receipt of Universal Credit is likely to increase if the scheme remains unchanged. Universal Credit is a benefit that incorporates a number of current state benefits into one monthly payment and is intended to behave like earnings. Where a claimant is in low paid work the payment of UC will change on a monthly basis in line with the claimant's earnings for the previous month. Therefore if the CTR scheme remains unchanged then the award of CTR will be subject to a monthly change (where there is a change in earnings), thus increasing the cost of administration. Therefore officers have sought to design a proposed scheme aimed at keeping the cost of administration to a minimum whilst protecting those customers on the lowest incomes.

Officers propose to consult on two options, a banded scheme for those claimants receiving UC or do nothing and retain the current scheme subject to the normal changes designed to keep our scheme reflecting the HB scheme.

#### **Option 1: Banded Scheme for claimants in receipt of Universal Credit.**

A banded scheme is easy to administer and easy for the customer to understand. A customer is awarded a discount on the Council Tax that they are liable to pay based on the level of their income. An example scheme is detailed below:

100% discount for incomes of £0.00 to £99.99 per week  
90% discount for incomes of £100 to £199.99 per week  
80% discount for incomes of £200 to £299.99 per week  
70% discount for incomes of £300 to £349.99 per week  
50% discount for incomes of £350 to £399.99 per week  
0% discount for incomes of £400 per week and above

In order to reflect the additional needs of multi person households and families, the upper tier of bands is increased as follows:

£25 for couples with no children  
£50 for households where there is one child  
£100 for households where there are two or more children

By making such additions the level of benefit awarded to families, particularly those in work is maintained.

The final scheme bandings for consultation will be based on the modelling of our caseload so that we are able to do so to ensure that the income bands deliver a similar level of support to the scheme in its present form. The intention of this proposal is to maintain the level of support provided to our communities but to reduce the cost of administration.

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It is acknowledged that in having a banded scheme there is the risk that the scheme will not protect those in vulnerable circumstances. Officers are exploring the idea of setting up a discretionary hardship fund which is more flexible to those in difficult circumstances as well as having an amended recovery cycle for CTR claimants who fall into arrears.

Administration costs have reduced by 4.67% since the introduction of local CTR in 2013. The table below shows the change in funding and caseload distribution. The number of working age employed (WA employed) cases has also fallen. However this group presents a higher volume of change events per caseload, which means that they are more expensive to administer than say a working age other (WA other). This group tend to be passported claims (claims based on job seekers allowance or employment and support allowance) which are more static in terms of administration. Therefore by introducing a banded scheme for UC claims we will simplify the scheme for those cases that are the most expensive to administer, which will reduce the cost of administration.

Table 1: CTR funding, expenditure and caseload since the introduction of local schemes.

Fund year	Amount	Expenditure	Estimated Tax Base Deduction	Caseload	WA employed	WA other	Pensioner Claims
2014/2015	113,819	6,989,178.11		7,505	1,271	2,408	3,833
2015/2016	106,611	6,725,186.22	7,078,508.15	7,169	1,258	2,341	3,570
2016/2017	121,860	6,662,778.30	6,919,731.47	6,921	1,097	2,413	3,411
2017/2018	115,800		7073984.64				
% Change *		-4.67%		-7.78%	-13.69%	-0.21%	-11.01%

\*percentage change from 2014/15 to 2016/17

#### Option 2: Make no changes to the existing CTR scheme.

Officers would also like to consult on the option of making no changes to the scheme other than bringing the scheme up to date with the changes to the Housing Benefit scheme that have been introduced since April 2016. This alternative will remain in line with preceding CTR schemes which will minimise the impact on claimants but will not address the increase cost of administration expected as a result of the roll-out of UC.

In previous years consultations have also included various alternative options such as restricting to a particular band or restricting to a percentage liability. Modelling of these options did not show a significant saving to the overall cost of the scheme to CDC but they will impact on some individuals on low incomes. Additionally these changes will not represent a saving in the cost of administration. Therefore it is proposed that we consult on Option1: a banded scheme for UC claims, with the scheme remaining unchanged for those not in receipt of UC and Option 2 that the scheme remains unchanged for all working age claims. However if it is decided that

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this would add value to the consultation these alternative options can be added to the consultation.