

## **Cabinet – 8 September 2021**

### **Consultation Plan on Preferred Local Council Tax Reduction Scheme**

**Portfolio:** Councillor Andrew

**Related portfolios:**

**Service:** Money, Home, Job

**Wards:** All

**Key decision:** No

**Forward plan:** Yes

#### **1. Aim**

To seek approval from Cabinet to consult upon the implementation of a new local council tax reduction scheme (LCTR) from April 2022 that is less complex than the existing scheme for both staff and customers to use and understand, enabling greater focus on providing support to our most vulnerable households.

#### **2. Summary**

- 2.1 Since the abolition of the council tax benefit scheme in 2012, government legislation has required council's to review their council tax payers annually and where appropriate to consult with major preceptors and the public where any revisions are required to its working age scheme. The scheme for pensioners is prescribed by Central Government.
- 2.2 Walsall Council introduced a scheme in 2013 and made changes in 2017. These introduced a number of changes, including a variable limit to the maximum award of support for those under and over 35 years of age; reducing the capital limit to £6,000; limiting awards to band C properties and below; removing second adult rebates; and child benefit income disregards removed for households with a second child or above.
- 2.3 Since that time, with the increasing numbers of low income households in receipt of universal credit and fluctuating monthly incomes, the current scheme is no longer fit for purpose, requiring regular changes to awards and the constant despatch of new bills, making it difficult for customers to understand or plan their finances as well as making administration and debt recovery complicated and expensive.

### **3. Recommendations**

- 3.1 That Cabinet agrees to proceed with an 8 week public consultation period to start from 20 September on the preferred option to implement a new banded income scheme as detailed in option 2
- 3.2 That a further report detailing the outcome of the consultation and any revisions to the preferred scheme are considered by Cabinet and approved by Council before the 31<sup>st</sup> January 2022.

### **4. Report detail - know**

#### ***Context***

- 4.1 LCTR helps people on a low income by reducing the amount of council tax they must pay.
- 4.2 Walsall council, like every other council, had to put in place a LCTR scheme to replace council tax benefit from April 2013.
- 4.3 The government prescribed the regulations for pensioners but gave councils the discretion to implement rules applicable to people of working age. Our LCTR scheme was set and agreed in 2012 and updated in 2017.
- 4.4 The council has reviewed the current scheme and is proposing to make further changes from April 2022. The council is seeking to implement a less complicated scheme, which will be easier for claimants to understand and apply for. The revised scheme will seek to align more with universal credit awards and minimise changes in council tax liability. It will also seek to build upon work to ensure intelligent use of data helps with application for other awards such as free school meals and adult social care assessments.
- 4.5 Many councils across the country are reviewing their LCTR schemes in light of welfare reform changes which are impacting working age claimants, with the vast majority adopting income banded or grid schemes.
- 4.6 The council is proposing to introduce an income-banded or grid scheme for all working-age claimants similar to near neighbours Sandwell where eligibility for LCTR is based around household income and family make-up.
- 4.7 The information held on a person's universal credit claim will be used to determine which income band they fall into and the amount of LCTR they are entitled to. The Department for Work and Pensions (DWP) provide the council with this information so a claimant will no longer need to make a separate application for LCTR, only households on low incomes where their income changes outside of their eligible income bracket or they do not receive universal credit may need to make a simple online application.
- 4.8 Whilst the council believes that the proposed changes will have little impact on the majority of applicants, given that there is no plan to reduce the overall level of funding to working age claimants (£15,109,599.76), the new scheme is a

fundamental change with some winners and losers. These groups will be identified and resources allocated to ensure additional support is available where necessary.

- 4.9 The number of pensioner claimants and working age claimants has changed since the scheme was last modelled and changed in 2016:-

	<b>2016</b>	<b>2021</b>
Pensioner Claims	13,572	10,387
Working Age Claims	18,636	<b>19,823</b>

This is a dynamic situation and has obviously been impacted by the pandemic and the economic situation as well as changes in welfare reforms.

- 4.10 Annual Awards under the current working age scheme as at the end of June are as follows:-

Under 35's	Working Age Universal Credit	Working Age Other	Total Working Age	Pensioners
£807,979.89	£7,203,990.64	£7,097,629.23	<b>£15,109,599.76</b>	£11,965,679.78

The proportion of universal credit customers continues to increase with virtually all new claims being of this type.

- 4.11 Details relating to the key features of the current scheme and the proposed new scheme are attached at Appendix A. This will also form part of the information provided with the public consultation questionnaire.

***Council Corporate Plan priorities***

- 4.12 **Economic**

Provide an incentive for those on low income and enable better targeted support

- 4.13 **People**

Reduced complexity and easy to access scheme

- 4.14 **Internal**

Increased automation to enable more focused support towards our most vulnerable households

- 4.15 **Children**

The LCTR will differentiate between household make-ups and can ensure families with children are supported properly. Again, resources can be focused on helping those most at risk with targeted support.

#### 4.16 **Communities**

Communities will be encouraged to participate in consultation for the revision and again support can be targeted.

#### ***Risk management***

- 4.17 Moving to a new scheme will require system changes and re-calculations of liability which impact council tax base calculations. Accurate modelling of data and staff training is key to avoid errors and confusion. System modelling and test data will be carried out using our existing software suppliers.
- 4.18 Consultation needs to be carried out in accordance with the legislation in order to avoid a challenge against the scheme.
- 4.19 Current improvements in data sharing between areas of the council in relation to things such as free school meals and other projects such as the use of robotics and document management need to be considered when making changes to this scheme in order to maximise its efficiency.

#### ***Financial implications***

- 4.20 The funding from government for LCTR is now part of the financial settlement and is no longer separately identifiable.
- 4.21 The new scheme is intended to be cost neutral although changes in household incomes are dynamic and can result in fluctuations both up and down in total value of awards
- 4.22 The scheme impacts the collection fund which means the cost falls upon all council tax payers and impacts the council and its major preceptors, as a result any scheme changes must be consulted with the major precepting authorities.
- 4.23 A simplified scheme, enabling better debt management for customers should help the council to reduce its bad debt provision which would have a positive impact on the collection fund and subsequently the general fund. Bad debt provision currently stands at £8.979m for all council tax debts and collection for debts where LCTR is awarded to working age customers is around 70% within year, leaving over £2m to collect in subsequent years.
- 4.24 Modelling software and expert consultation support is required from our existing suppliers in order to ensure the new scheme can be administered effectively and scheme details are legally documented. These costs will be met from service budgets

#### ***Legal implications***

- 4.25 The legislation relating to council tax reduction schemes includes:
- Section 13A of the Local Government Finance Act 2012 - introduced the council tax reduction scheme.

- The Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 (Statutory Instrument 2012 / 2885) contains the mandatory elements for any local scheme and details the scheme that must be adopted for pensioners.

4.26 The council must make any revision to its discount scheme before the end of March in the financial year preceding that for which the revision or replacement scheme is to have effect.

#### ***Procurement Implications/Social Value***

4.27 None

#### ***Property implications***

4.28 None

#### ***Health and wellbeing implications***

4.29 There are complex interconnections between living conditions, lifestyles, and health problems; high unemployment, low pay, and reductions in public support make it more likely that there will be an adverse effect on health and wellbeing for the residents of Walsall. Implications will vary depending on the size of the reductions in support.

#### ***Staffing implications***

4.30 A simplified and more automated scheme will result in staff tasks being redirected to more targeted support for our most vulnerable customers.

#### ***Reducing Inequalities***

4.31 The implications for reducing inequalities have been taken into account and assessed as set out below.

4.32 Government has stated that LCTR schemes should provide support for the most vulnerable; however they have not prescribed the protection that local authorities should provide for vulnerable groups other than pensioners.

4.33 In designing local schemes authorities are reminded of their responsibilities in relation to vulnerable groups and individuals and the Department for Communities and Local Government (now MHCLG) consultation response makes specific reference to the following Acts. a) The Child Poverty Act 2010, which imposes a duty on local authorities and their partners, to reduce and mitigate the effects of child poverty in their local areas. b) The Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970, which include a range of duties relating to the welfare needs of disabled people. c) The Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.

- 4.34 An equality impact assessment must be completed and consultation with appropriate groups with protected characteristics that may be affected by changes to entitlement. We will also use the equality impact assessment to identify any unintended consequences for vulnerable groups to ensure that our local scheme is fair and equitable.

### ***Climate change***

- 4.35 A simplified scheme will reduce the number of accounts and reminder notices being issued and help to ensure the delivery of services and actions of those in the Council's Climate Change Action Plan.

### ***Consultation***

- 4.36 The council will have to fully adhere to the statement of intent issued by the Department for Communities and Local Government which specifies that it must:
- Consult any major precepting authority
  - Publish a draft scheme in such a manner as it thinks fit, and
  - Consult other such persons as it considers are likely to have an interest in the operation of the scheme.
- 4.37 It is proposed that the council will undertake a public consultation exercise on the option approved by the cabinet to ensure it gives the best possible opportunity for interested parties to put forward their views. In addition a listening and engagement session with key stakeholders is planned to discuss the options described and potential impacts.
- 4.38 Consultation will include writing to a representative sample of council tax payers, including those impacted by the scheme changes. We will also provide an online questionnaire to capture resident's views about the proposed changes.
- 4.39 Conversations with near neighbours have already taken place with regard to scheme changes and ongoing staff consultation will feed in to the process.

## **5. Decide**

The options considered are set out in Appendix A and the preferred option is recommended as it best meets the needs of the council and its residents.

## **6. Respond**

The decision will be implemented as set out in the recommendation and body of the report through public consultation as set out in paragraph 14.3 above and detailed in Appendix B

## **7. Review**

Responses to public consultation will be monitored and logged, these will be reviewed with the Portfolio holder and will be considered as part of the final scheme recommendations which will go before Council in January 2022.

## Background papers

Cabinet paper, 7 September 2016, council tax reduction scheme 2017/18

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Signed  
Sally Rowe  
Executive Director  
Childrens and Customer

08 September 2021



Signed  
Councillor A Andrew  
Portfolio Holder Regeneration

08 September 2021

## Appendix A

### Scheme Options

Option	Details	Estimated Cost of the Scheme
1.	Retain the existing Scheme without Changes	Current costs
2.	Banded Income scheme based on a new income grid scheme and adapted to fit within costs and principles of the existing scheme where appropriate	Cost Neutral

#### Option 1.

This scheme for working age applicants is based on the principles of the old council tax benefit regulations and was last amended in 2016 in order to manage budget reductions and target support where possible.

Awards are calculated with reference to the applicant's income and family make-up, there are complicated deductions for non-dependents based upon their income and status, net income is then matched against needs and allowances to determine an award.

With every change in income or status a re-calculation of an award and council tax liability is required and can result in a change making it difficult for claimants to budget for their changing liability and making debt recovery extremely difficult.

The maximum award for claimants is 70% unless they are under 35 years of age where the maximum award is 75% of council tax liability.

Pro's	Con's
System already in place and working	Increasingly complex for customers and staff where Universal credits is the main income source due to multiple changes  The scheme will, if universal credit cases increase as expected, become unviable in the longer term without significant additional administration
No requirement for new consultation	

## Option 2

This scheme is a fundamental change to the existing scheme, it is a sliding discount award based on income bands, household size and make-up.

The income bands relate to weekly income and are based on universal credit basic need then incremented in each category by £30.00 to a maximum.

Income is calculated based on net income with certain income types being disregarded

Maximum discount awards for all groups would be 75% with a sliding scale based on assessed income.

Where non-dependants are resident in a property the assessed award will be reduced by £10 per week for those in work and £5 per week for those not in work. Specified non-dependants such as students will not be counted. This is different to the current scheme which is based on actual income bands for working non dependants.

The proposed discount, income bands and household types are as follows:-

Discount	Couple with 2 Or more children	Couple with one child	Couple
75%	£0.00 - £292.52	£0.00 - £223.92	£0.00 - £137.67
65%	£292.53 - £322.52	£223.93 - £253.92	£137.68 - £167.67
55%	£322.53 - £352.52	£253.93 - £283.92	£167.68 - £197.67
45%	£352.53 - £382.52	£283.93 - £313.92	£197.68 - £227.67
25%	£382.53 - £412.52	£313.93 - £343.92	£227.68 - £257.67
0%	£413.53 and above	£343.93 and above	£257.68 and above

Discount	Single with 2 Or more children	Single with one child	Single
75%	£0.00 - £249.81	£0.00 - £181.21	£0.00 - £94.96
65%	£249.82 - £279.81	£181.22 - £211.21	£94.97 - £124.96
55%	£279.82 - £309.81	£211.22 - £241.21	£124.97 - £154.96
45%	£309.82 - £339.81	£241.22 - £271.21	£154.97 - £184.96
25%	£339.82 - £369.81	£271.22 - £301.21	£184.97 - £214.96
0%	£369.82 and above	£301.22 and above	£214.97 and above

*Child being a dependent child.*

All passported cases receive the maximum award of 75%

Passported cases include households where the following awards are received:-

- Income Support
- Income Related Job Seekers Allowance
- Income Related Employment Support Allowance

A number of options for income deductions have been modelled based on these schemes and the following have been used in order to protect vulnerable households and maintain a cost neutral scheme.

- Universal credit basic income is included as claimant income as are child care costs and limited capability to work costs. Housing costs are disregarded from the income calculation as they are in the current scheme.
- Child benefit income is disregarded for all but the the first child in this scheme whereas in the current scheme all child benefit payments are included as income and only child benefit for the first child is disregarded.
- Personal independent payments and Disability Living Allowances are disregarded
- Carers allowance is disregarded
- An extra income disregard has been modelled in this scheme of £45 per week where the following premiums are awarded
  - *DP (disabled premium for claimant or partner)*
  - *SDP (severe disabled premium for claimant or partner)*
  - *EDP (enhanced disabled premium for claimant or partner)*
  - *CDP (child disabled premium for any dependant)*

Introducing this Banded income scheme would remove the differential between under 35's and over 35's and would enable a maximum award of 75% discount to all those on low incomes as defined by the scheme.

Modelled data as at the beginning of August 2021 shows the following changes in awards to apply across the current working age caseload if the scheme were adopted:-

	No of Cases	Total weekly Award	Annual Award
Over £10 Gainers	234	£4,089.20	£212,638.40
£5.00 - £10.00 Gainers	1037	£15,027.00	£781,404.08
£0.00 - £5.00 gainers	12614	£212,818.98	£11,066,586.83
£0.00 (No change)	809	£10,542.82	£548,226.38
losers £0.01 - £5.00	2770	£32,453.55	£1,687,584.37
Losers £5 - £10	1117	£7,884.42	£409,990.06
Losers £10 - £20	516	£936.71	£48,708.82
Over £20 losers	50	£1.21	£62.67
<b>totals</b>	<b>19,147</b>	<b>£283,753.88</b>	<b>£14,755,201.62</b>

Analysis of cases that are gaining from this scheme but can't be modelled show that deductions from UC which need to be added back in to income, will reduce awards in some cases, mainly those where there are large gains, (*managed payments to landlords will be ignored but all other payment deductions included as income*) .

Many of the cases where they are showing as large losers under the scheme relate to cases where no income is showing on the system and these will need to be reviewed and may well come back in to an award.

Main areas where cases are losing is due to their income exceeding the banding thresholds, this is due to the treatment of dependant and non-dependant deductions from income as well as additional income other than basic universal credit being taken in to account as income whereas under the current scheme it may lead to the claimant getting the maximum award.

The majority of cases in this analysis show a small increase in their weekly awards and this is largely due to the maximum award increasing from 70% to 75%.

*£15,109,599.76 is the current cost of the scheme at the 1st August 2021 leaving around £354,000 available to support cases where awards are reduced.*

Currently applications for Council Tax Reduction can only be backdated for a period of 1 month and only when good cause is proven. This is too restrictive and relates to old legacy benefit rules. The ability to backdate up to one year, at the Council's discretion, would allow the scheme to assist low income applicants who failed to claim when they were potentially entitled to support.

There will be occasions where applicants may need more support than the scheme provides. Where they are experiencing exceptional hardship, the Council will maintain an exceptional hardship fund. Each case will be assessed on a case by case basis. The scheme will form part of the main Council Tax Reduction scheme and will be paid through the collection fund under S13A1A Local Government Finance Act 1992.

Pro's	Con's
<p>Simple to understand Income bands</p> <p>Level of income bands will reduce the number of changes to applicants entitlement</p> <p>Scheme will be future proofed, requiring minimal changes in future years</p>	
<p>Similar to near neighbours and other Councils, reducing confusion</p>	
<p>Design of scheme enables more targeted support towards families or other groups depending on income disregards.</p>	

## **Appendix B**

Modelling data has been used to identify potential gainers and losers from the preferred scheme and this is highlighted in appendix A.

A sample letter to council tax payers is attached below and this will be issued to a proportionate sample of council tax payers by band, 5000 claimants and 5000 non claimants.

A questionnaire will be developed highlighting the changes between the proposed scheme and the existing scheme and seeking views on those changes

A presentation to stakeholders will take place on the 15<sup>th</sup> September 2021 highlighting the changes proposed and the consultation questions being asked.

Subsequent engagement sessions will be held if deemed appropriate.



**Walsall Council**

## **BENEFITS SERVICE**

My Ref: LCTRS Consultation

Date: September 2020

Name

Address 1

Address 2

Address 3

Address 4

Post code

### **Have your say on proposed changes to the Local Council Tax Reduction Scheme (LCTRS)**

Council tax reduction is a discount people on a low income can claim from the council to get help with paying their council tax. We are now consulting on a draft proposals to introduce a new simplified discount award to replace the current benefit assessment. We now invite you to have your say and enclose a questionnaire for you to complete and return to us by xxxx.

### **Whether you receive council tax reduction or not, please have your say as the council's preferred option will affect most claimants.**

On 1 April 2013 a local council tax reduction scheme (LCTRS) replaced council tax benefit, new ways of calculating the reduction, developed and administered by local authorities, were introduced, this scheme has been modified by the council over recent years. A copy of the current scheme for Walsall is available on our website:

[www.walsall.gov.uk/council\\_tax\\_benefit](http://www.walsall.gov.uk/council_tax_benefit)

This proposal seeks to simplify the award of (LCTRS) for working age households with :-

- A discount rather than a complicated benefit calculation
- An award based on household Income and size
- Less changes in the amount claimants have to pay because of small changes in their income
- Better opportunity for those on low income to budget to pay council tax

Council tax reduction for people of pensionable age is set according to national rules which means all of their council tax is paid if they are on the lowest incomes and will continue to be protected under future schemes.

### **Consultation**

Walsall Council is required to consult with local residents and other interested parties before making changes to the local council tax reduction scheme.

No decision has yet been made about the scheme for 2022/23. Results of the enclosed questionnaire along with other information will be used to inform and finalise the final scheme. Please take a few minutes to have your say.

### **The options for a new council tax reduction scheme**

Cabinet Members considered two options at its meeting on the 9<sup>th</sup> September 2021 and recommended the decision to consult on option 2.

Option	Details	Estimated Cost of the Scheme
1.	Retain the existing Scheme without Changes	Current costs
2.	Banded Income scheme based on the Sandwell Model and adapted to fit within costs and principles of the existing scheme where appropriate	Cost Neutral

### **IF option 2 is approved how could this affect you?**

If you are currently in receipt of (LCTR) and wish to understand how these proposals will affect you if implemented, please look at the booklet which accompanies this letter before completing the enclosed questionnaire which has been sent to 10,000 randomly selected households (including both residents eligible for council tax reduction and those required to pay their council tax in full). **Please have your say by completing the questionnaire and return it in the prepaid envelope provided by xxxx.**

Thank you in advance for taking the time to participate in the consultation, your views are very important. The findings of the consultation will be reported to Cabinet in December 2021 and will be used to inform the final decision as part of the council's overall budget setting process in January 2022. Results of the consultation will be made available on the Council's website in December 2022.

Yours sincerely,

**Councillor**  
Leader of the Council

