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| Report for: | BUCKINGHAMSHIRE SHADOW EXECUTIVE |
| Meeting Date: | 23 July 2019 |

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| Title of Report: | Harmonisation of Council Tax Reduction Schemes |
| Responsible Officer or Relevant Member: | Richard Ambrose – Bucks CC |
| Officer Contact: | Richard Ambrose contact number; rambrose@buckscc.gov.uk |
| Recommendations: | A number of options are considered within this report. Option 3 is recommended as the Council Tax Reduction Scheme for Buckinghamshire Council as the best fit that balances costs and minimal impact on claimants in line with the defined Principles. Should Members wish to broaden protection to all families with children under 5 or lowers costs then Options 2 & 1 respectively should be considered. |
| Corporate Implications: | Financial implications are included in the report and should be considered in conjunction with the overarching summary accompanying the 3 reports being considered by the Executive |
| Options: (If any) | Six options are included within this report |
| Reason: (Executive only) | Option 3 is recommended as the Council Tax Reduction Scheme for Buckinghamshire Council as the best fit that balances costs and minimal impact on claimants in line with the defined Principles |

1. Purpose of Report

The purpose of this report is to propose options for the harmonisation of the four current Council Tax Reductions Schemes to introduce a new Council Tax Reduction Scheme for Buckinghamshire Council. It also details the process to be followed to agree this scheme

2. Executive Summary

This report explains the legal requirements and considers six options for a unified Council Tax Reduction Scheme. Comparisons with the existing schemes are made, and the provisional impact on expenditure is forecasted. A scheme (option 3) that offers best fit in line with Principles set out in the report is recommended.

3. Background

Council Tax payers who are on low income can apply for Local Council Tax Reduction (CTR) to help them with their Council Tax. Entitlement to CTR is based on the circumstances and income of the claimant's household.

From April 2013 each Council Tax billing authority is required to determine the CTR scheme for its area. Billing authorities have the discretion to determine the principle factors for their scheme, including the maximum support that will be given to working age claimants. However, government has prescribed that certain claimants (i.e. pensioners and those working age claimants that the billing authority consider to be vulnerable) are **protected** within the scheme and be entitled to receive support of up to 100% of the Council Tax charge.

Government has developed a **prescribed scheme for pensioner claimants**, which is aligned to the Housing Benefit scheme.

Each of the four district councils have their own CTR scheme with different features. The main features of each scheme are shown in Appendix 1.

The cost of CTR awards is met from the Council Tax Collection Fund. Government originally provided funding to meet 90% of the estimated awards made in 2013/14. However, this funding was subsequently incorporated as part of the Revenues Support Grant and, as such, has been subject to the changes made to that grant.

The Shadow Authority will need to formally adopt a Buckinghamshire Council CTR scheme for 2020/21 at the Council Tax setting meeting in February 2020. The transitional regulations for Buckinghamshire state that the shadow authority should prepare and publish a CT Reduction Scheme for the whole of its area by 1 April 2020, where it is practicable to do so. Where a scheme has not been prepared and published by 1 April 2020 Buckinghamshire Council must take steps to have such a scheme in place within 2 years i.e. by 1 April 2022. After 1 April 2020 and before a unitary-wide scheme is in place, the existing schemes for each District carry forward and apply to the former District administrative area.

Such a scheme would lead to customer confusion, dissatisfaction and inequality across the county. In addition, it would make the administration of CTR difficult as the Revenues Service would need to work with four different schemes. A single CTR scheme from 1 April 2020 ensures all claimants are treated consistently as well and provides the opportunity to simplify calculation of entitlement from a customer and administration point of view.

This report recommends options for a **harmonised** CTR scheme which seeks to align key features of the current schemes.

Another option for the new council would be to design a new CTR scheme and consider options to move to a scheme that is radically different such as a **banded scheme**. With the wider roll out of Universal Credit having taken place, local authorities are beginning to consider such schemes. These are simpler to administer and move away from aligning CTR scheme to Housing Benefit schemes and the former Council Tax Benefit Scheme. This has been discounted at this stage as there is not have the capacity to develop this within the timescales and as the four Revenues Services currently use three different software applications. It is commonly accepted that migration of systems takes a minimum of 18 months to two years, due to the time it takes for conversion and avoiding key dates such as annual billing and subsidy claim submission. In order to move to a radically different CTR scheme it is necessary to have a single software application, as it is likely that some bespoke system development would be needed. This is not cost effective to deliver over three systems.

Principles

The following principles have been used to arrive at the proposals and recommendations in this report:

- The same scheme will apply to all working age residents in Buckinghamshire;
- The scheme will be developed by harmonising current schemes i.e. including features that apply to the majority of the current districts where possible;
- The aim is to deliver a scheme that is broadly cost neutral;
- The scheme can be administered using the current Revenues systems;
- The scheme will offer protection to residents classified as vulnerable in the context of the scheme.
- Council Tax payers will be required to make a contribution to their Council Tax (unless they are in a protected group).
- The proposed scheme aims to minimise negative impacts on customers whilst recognising there will be winners and losers.

Current Schemes

All of the schemes (Appendix 1) are based on the Council Tax Benefit Scheme that was in operation prior to April 2013, the main variations are summarised below. All schemes require working age taxpayers to make a contribution to their Council Tax which in most cases is 20% (15% for AVDC when taxpayer is working) unless they are in a 'protected group'. The main differences are:

- **Definition of protected groups and level of protection**
All schemes offer protection to customers in receipt of disability benefits. In addition, AVDC offers some protection where the applicant is responsible for a child under 5 (15% contribution) and CDC where the applicant is a lone parent responsible for a child under 5 (10% contribution). WDC and SBDC offer protected groups 100% protection so that they have no minimum contribution to make. At CDC this protection is only up to 90% and AVDC up to 85%.
- **Capital limits**
The schemes have various capital limits with three schemes having a capital limit of £6,000 and one (CDC) has a limit of £16,000. Two (WDC & SBDC) also have a limit of £16,000 for protected group.
- **Disregards**
CDC has a 25% earnings disregard where the others are based on those that were applicable to the Council Tax Benefit Scheme.
- **Non-dependant deductions**
CDC have a standard £5 deduction for all non-dependents and the others have varying deductions dependent on the non-dependant's income.
- **Band restriction**
At CDC a band restriction is applied which means that the maximum amount of CTR that a taxpayer can receive is calculated as if their property is in band D even if they have a property in bands E-H.
- **Council tax contribution for working age**
AVDC require in work claimants to make a 15% contribution towards their Council Tax. CDC, SBDC and WDC require a 20% contribution.

Proposed Scheme Options

In order to recommend one harmonised scheme six options have been modelled. The main differences between the options are as follows:

Option one gives 100% protection for customers in receipt of qualifying disability benefits

Option two gives 100% protection for customers in receipt of qualifying disability benefits and all customers responsible for children under 5

Option three gives 100% protection for customers in receipt of qualifying disability benefits and Lone parents responsible for children under 5

Option four is the same as option one except it gives 90% protection instead of 100% protection

Option five is the same as option two except it gives 90% protection instead of 100% protection

Option six is the same as option three except it gives 90% protection instead of 100% protection

WDC and SBDC currently do not require a contribution towards Council Tax from protected customers but both AVDC and CDC do. This has been considered carefully in establishing how to harmonise the schemes. If a new scheme requires a contribution from customers in these groups, this will have an immediate negative impact on the most vulnerable customers of WDC and SBDC, which goes against one of the principle aims (to minimise negative impact). This is likely to be unpopular in these areas. Conversely, giving full protection to customers in AVDC and CDC will be popular, but will also add additional costs.

The experience from both CDC and AVDC who have required a Council Tax contribution from protected groups for a number of years is that these small amounts due from customers with limited income and in difficult circumstances are hard to collect. Both councils also have a **Discretionary Award Scheme** and consider awards from this fund where a taxpayer's circumstances mean they are unlikely to pay.

It is felt that any additional cost of full protection in Aylesbury and Chiltern DC's can be offset against the additional costs that they are encountering in trying to collect these small amounts. These include:

- Cost of administration for collection of small debts;
- Cost of administration of Discretionary Council Tax Reduction Scheme – as these are discretionary awards they require a lot of officer intervention in decision making;
- Cost of awards from the Discretionary Council Tax Reduction Scheme (£200k for AVDC and £50k for CDC) – applications and awards under this scheme are likely to decrease.

Financial Modelling

The six options below have been considered in the more detailed financial modelling:

| Main themes | Option one | Option two | Option three | Option four | Option five | Option six |
|----------------------------------|---|--|--|---|--|--|
| Contribution for working age | 20% | 20% | 20% | 20% | 20% | 20% |
| Protected groups | Customers in receipt of qualifying disability benefits | Customers in receipt of qualifying disability benefits Applicants responsible for a child under 5 | Customers in receipt of qualifying disability benefits Lone parents responsible for a child under 5 | Customers in receipt of qualifying disability benefits | Customers in receipt of qualifying disability benefits Applicants responsible for a child under 5 | Customers in receipt of qualifying disability benefits Lone parents responsible for a child under 5 |
| Contribution for protected group | 0% | 0% | 0% | 10% | 10% | 10% |
| Capital Limit: | | | | | | |
| Lower | £6,000 | £6,000 | £6,000 | £6,000 | £6,000 | £6,000 |
| Higher | £16,000 (Tariff income figure taken for the amount between £6 and £16k) | £16,000 (Tariff income figure taken for the amount between £6 and £16k) | £16,000 (Tariff income figure taken for the amount between £6 and £16k) | £16,000 (Tariff income figure taken for the amount between £6 and £16k) | £16,000 (Tariff income figure taken for the amount between £6 and £16k) | £16,000 (Tariff income figure taken for the amount between £6 and £16k) |
| Backdating | N | N | N | N | N | N |
| Disregards | Variable based CTB scheme | Variable based CTB scheme | Variable based CTB scheme | Variable based CTB scheme | Variable based CTB scheme | Variable based CTB scheme |
| Non- Dep Deductions | £5.00 per week | £5.00 per week | £5.00 per week | £5.00 per week | £5.00 per week | £5.00 per week |
| Band restrictions | None | None | None | None | None | None |

The tables below shows a breakdown of the current & modelled CTR scheme awards across Buckinghamshire:

| Current scheme | | | | |
|-----------------------|----------|---------------------|-------------------------|-------------------|
| | Caseload | Current Expenditure | Plus Discretionary Fund | Total expenditure |
| AVDC | 7,978 | 8,343,430 | 200,000 | 8,543,430 |
| CDC | 3,917 | 3,773,050 | 50,000 | 3,823,050 |
| SBDC | 2,558 | 2,936,000 | 15,000 | 2,951,000 |
| WDC | 7,594 | 7,915,000 | 50,000 | 7,965,000 |
| Total | 22,047 | 22,967,480 | 315,000 | 23,282,480 |

| | Proposed schemes (Indicative costs) | | | | | |
|--------------------|--|------------|-------------------|------------|------------|------------|
| | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
| AVDC | 8,546,763 | 8,816,173 | 8,708,531 | 8,278,166 | 8,414,065 | 8,358,994 |
| CDC | 3,780,207 | 3,880,077 | 3,845,762 | 3,669,447 | 3,719,624 | 3,699,252 |
| SBDC | 2,935,497 | 2,981,974 | 2,967,575 | 2,859,098 | 2,882,337 | 2,875,137 |
| WDC | 8,016,525 | 8,197,175 | 8,121,522 | 7,788,872 | 7,879,197 | 7,841,370 |
| Total | 23,278,992 | 23,875,399 | 23,643,390 | 22,595,583 | 22,895,223 | 22,774,753 |
| Discretionary fund | 337,500 | 290,000 | 305,000 | 387,500 | 515,000 | 623,000 |
| Total | 23,616,492 | 24,165,399 | 23,948,390 | 22,983,083 | 23,410,223 | 23,397,753 |
| £ increase | 334,012 | 882,919 | 665,910 | - 299,397 | 127,743 | 115,273 |
| % change | 1.4 | 3.8 | 2.9 | - 1.3 | 0.5 | 0.5 |

Constraints of financial modelling

It is important that some of the limitations of the modelling are taken into account when considering the proposed options. The cost of the scheme quoted is indicative and can be affected by a number of issues:

- The Districts do not currently use the same software and the modelling software across systems does not calculate in the same way. The system used by Aylesbury and Wycombe forecasts likely future changes to claimants' Council Tax Reduction. The Chiltern and South Bucks software models based on today's values.
- Figures are based on current caseload which fluctuate during the year; future demand cannot be predicted;
- Future applications from claimants that do not qualify for relief are not included in these figures as it is not possible to calculate who might apply in the future. For example, in South Bucks and Wycombe who might qualify in the future because the Capital limit has increased.

When the final scheme is submitted to the Shadow Executive for formal approval all costs will be remodelled based on current caseload data at that time

Main impact of the Proposed Options on existing Districts

Wycombe District Council/South Bucks District Council

- The modelled schemes are all very similar to the existing South Bucks/Wycombe schemes.
- Currently neither those with children under 5, or lone parents are considered a 'protected group' so there would be additional cost if this was introduced under option 2 & 3.
- A standard £5 non-dependant deduction (as opposed to variable rates where non-dependants' income has to be established) will create some small variations in award (+ & -). This will simplify administration.
- Options 4, 5 & 6 would impact on all customers currently receiving full protection (South Bucks & Wycombe DC) as they would be required to pay 10% of their annual council tax bill. They would be able to make a claim for a Discretionary Award, but a large number of applications would increase administration costs as assessing these applications is a manual process.
- Options 4, 5 & 6 would make a saving on the gross cost of the CTR scheme, offset by an increased discretionary fund.

Chiltern District Council

- Protected groups will no longer be required to make a contribution towards their Council Tax (Aylesbury Vale & Chiltern DC)
- Option 2 will offer protection for those with children under 5 which will extend CTR awarded which currently applies just to lone parents
- Currently Chiltern have Council Tax Reduction restricted to a Band D charge. The modelled schemes remove this restriction, opening up CTRs to claimants in higher banded properties.

Aylesbury Vale District Council

- Options 1, 2 & 3 would have a positive impact on protected claimants as they will no longer be required to make a 10% contribution towards their Council Tax. This would result in additional costs to the Unitary Authority
- A standard £5 non-dependant deduction (as opposed to variable rates where non-dependents income has to be established). This will ease administration.
- In work customers will see a 5% increase in Council Tax payable as the amount payable for this group will increase from 15% to 20%. Affected customers would be able make a claim for a Discretionary Award.

Appendix 2 – Chart showing breakdown of the impact of proposals

Appendix 3 – Case studies

An evaluation of each scheme has been completed to see how it meets the principles detailed at the beginning of this report:

| Scheme principles | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Same scheme for all claimants | Yes | Yes | Yes | Yes | Yes | Yes |
| Harmonised scheme | Yes | Yes | Yes | Yes | Yes | Yes |
| Broadly cost neutral (+/- 3%) | Yes,1.4% | No,3.8% | Yes,2.9% | Yes,- 1.3% | Yes,0.5% | Yes,0.5% |
| Administered with existing software | Yes | Yes | Yes | Yes | Yes | Yes |
| Protection for vulnerable | Yes | Yes | Yes | Yes | Yes | Yes |
| Council Tax contribution unless vulnerable | Yes, 20% |
| Minimises negative impact on customers (with use of Discretionary awards) | Yes | Yes | Yes | Yes | Yes | Yes |

The same scheme will apply to all working age residents in Buckinghamshire

All options fulfil this requirement.

The scheme will be developed by harmonising current schemes i.e. including features that apply to the majority of the current districts where possible

All options fulfil this requirement

The aim is to deliver a scheme that is broadly cost neutral

Options 1-3 come with an additional cost. The main reason for this is that contributions from CDC and AVDC's vulnerable customers will no longer be required. Options 4-6 apply a 10% contribution from all vulnerable claimants. This will reduce costs in WDC and SBDC but will adversely affect a large number of customers and for this reason these options are not recommended.

The increase in expenditure in options 1-3 needs to be considered against other savings that can be achieved in the longer term such as:

- Reduced administration costs as a result of removing small debts that are not cost effective to bill and collect in AVDC and CDC
- Simplification of existing schemes will reduce administrative costs
- Combining software systems will reduce expenditure in the longer term
- Reduction in resources in the longer term
- Opportunity to reduce Discretionary Council Tax expenditure

The schemes can be administered using the current Revenues systems

This is the case with all options.



The scheme will offer protection to residents classified as vulnerable in the context of the scheme.

All schemes offer some protection. Options 1-3 offer full protection, whereas options 4-6 offer 90% protection.

Council Tax payers will be required to make a contribution to their Council Tax (unless they are in a protected group).

Working age taxpayers who are not protected are required to make a contribution of 20% in all options.

The proposed scheme aims to minimise negative impacts on customers whilst recognising there will be winners and losers.

In identifying the proposals, areas where there would be a wide spread negative impact have been minimised in options 1-3 i.e. contribution from protected groups. There are some winners and losers with all 3 schemes and it is intended that a Discretionary Award Scheme can address the situation where a loss of CTR has caused hardship.

Options 3-6 will negatively impact all vulnerable claimants in WDC (1,800) and SBDC. Appendix 2 provides details of the impact across the new Buckinghamshire Council.

Comparison with Dorset

Dorset have adopted a harmonised scheme. The previous individual District schemes were already very similar which made harmonisation more straightforward than in Bucks. All District Councils awarded 100% entitlement for all protected claimants, and between 91.5%-92% for unprotected claimants. From 1st April 2019 the maximum entitlement is 100% for protected claimants and 90% for unprotected claimants.

Discretionary awards for Council Tax Reduction

All of the councils' existing schemes include Discretionary awards of Council Tax Reduction and this is recommended as an important feature of the CTRS scheme for Buckinghamshire Council. This is particularly important in the administration of a new harmonised scheme as it is through such a scheme officers can give transitional support to any claimant who are adversely impacted by the change to the new scheme. Whilst the proposed scheme is designed to keep the impact to a minimum (see also Appendix 2 for the initial estimate), and there are many that will benefit, there will be a small number that may be negatively affected.

In the current administration of Discretionary awards the District Councils tend to align with the administration of Discretionary Housing Payments for Housing Benefit (funded by government grant). This means that applications from customers experiencing exceptional hardship can be considered for both awards at the same time.

All applications need to be assessed on a case by case basis and as a result administering Discretionary Awards this can be resource intensive, which can in turn cause delays to claimants waiting to learn if their application for extra help has been successful. From an administrative point of view it is more cost effective to manage assessment of Council Tax Reduction through the main scheme itself rather than rely on Discretionary payments to plug shortfalls in support.



A Discretionary Council Tax award protocol will be produced prior to 1st April 2020. These awards will be used to address circumstances where customers are experiencing hardship and also to minimise the impact on customers losing out as a result of the introduction of the new scheme.

4. Consultation

There is a legal requirement to carry out consultation prior to setting the Council Tax Reduction Scheme. This includes consultation within any major preceptors and interested parties. The minimum period for this consultation is six weeks. To comply with legal requirements, the consultation must be based on a proposed scheme, rather than a number of options.

A draft plan for the consultation is currently being prepared in conjunction with the Communications group.

5. Next Steps and Key Dates

There are several dependencies that are reliant on the new scheme being decided. In addition, there are legal requirements which mean that decisions must be approved by particular dates.

The provisional timeline is shown below and this shows where decisions are required by Shadow Executive/Council.

| Action | Officer Action Dates | Shadow Executive Decision Date | Shadow Council Decision Date |
|---|----------------------|--------------------------------|--------------------------------------|
| Decision on Harmonised Council Tax Reduction Scheme to be made for consultation to commence | | July | |
| Consultation Period | 1/8/19 -16/9/19 | | |
| Results of Consultation and Finalise Council Tax reduction Scheme and Discretionary Scheme | | 30/9/19 | |
| Calculation of Council Tax base – CTR scheme needs to be finalised for this | Oct/Nov | | |
| Final approval of Council Tax Reduction Scheme | | | Feb (at Council Tax setting meeting) |

Equalities Impact Assessment

A draft Equalities Impact Assessment is being prepared and will be finalised once the final recommended option is confirmed.

Resourcing requirements

No additional requirements at this stage.

Legal implications

None apart from those referred to within this report.



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| Background Papers | It is a legal requirement to make available background papers relied on to prepare a report and should be listed at the end of the report (copies of background papers for executive decisions must be provided to Democratic Services). Hyperlinks to papers published online should be used where possible. Where there are no background papers, insert None. |
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