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**Cabinet 31st October 2019**

**Report of the Chief Officer Finance and Legal Services**

**Council Tax Reduction Scheme**

**Purpose**

1. To seek approval to undertake consultation on Council Tax Reduction (CTR) Scheme proposals for 2020/21 in advance of a final decision by Full Council later in the municipal year.

**Recommendations**

2. It is recommended that Cabinet approve the proposals set out in paragraph 10 as a basis for consultation.

**Background**

3. 326 *localised* CTR schemes replaced the *national* Council Tax Benefit (CTB) scheme in England from 1<sup>st</sup> April 2013. This also came with a reduction in central government funding to support the schemes.
4. Revenue and Benefit Services administer our local CTR scheme. Under this scheme, the income of low income households is subjected to a means test and *can* result in a reduction to their Council Tax (CT) liability of up to 100%. Currently just over **25,000** households in the borough receive CTR, the average amounting to **£13.31** per week (**£692** per year). The total amount of CTR awarded in 2018/19 was **£17.8m**. The amount awarded so far this year is **£18.4m**.
5. For further detail of CTR scheme guidance and changes in Dudley's CTR scheme over recent years, please refer to **Appendix 1**.
6. Presently there are **25,084** residents claiming CTR as follows:  
Pensioners - **11,144** (not affected by Universal Credit (UC) or changes to our CTR scheme)  
Working age - **13,940**.

Of the working age figure:

In receipt of UC - **5,412**

Not in receipt of UC - **8,528**.

7. The roll out of UC in Dudley commenced July 2017. UC requires the DWP to undertake a monthly re-assessment of entitlement for each ongoing award. This results in many more notifications from DWP being sent to DMBC that in turn requires CTR scheme awards to be reassessed. We currently receive over **1,000** such notifications per week. Where these notifications result in CTR awards changing, revised CT bills are issued.
8. The issuing of revised bills can make it harder for residents to keep track of the amount of CT they need to pay. It makes collecting CT more difficult as revised bills delay the recovery process. It also means that our benefit administration processes are more complicated and resource consuming.

**Appendix 2** outlines the impact on an anonymised sample of households.

9. In order to start to address the administrative pressures outlined above, we have recently commenced the introduction of several technical improvements that automate some of the increased manual work brought about by UC.
  - We have introduced **Customer Information System (CIS) automation** (a DWP led initiative) that ensures we are supplied with up to date/correct claimant information from DWP to ensure claims are assessed correctly.
  - Secondly, we are undertaking the final testing of a new **Govtech UC Data Service** product that will not only cleanse the data we receive from the DWP, but also review the content, back-filing information in appropriate cases without us having to review it. This will result in a reduction in manual work.
  - Thirdly, we are introducing the **Northgate UC4CTR product** that will automate some of the simpler UC notifications, enabling us to concentrate on more complex ones.
10. For 2020/21 we propose to maintain the current CTR scheme as set out in Appendix 1, but with two important changes that aim to further address the issues for residents and for our own administrative processes mentioned in paragraph 8 above:
  - allowing **notifications of UC awards** to be treated as claims for CTR (see below).
  - introduction of a **de minimus** element (see below).

We will consult on these proposals in the coming months for final approval by Council in March.

11. **Notifications of UC awards.** We automatically receive notifications from DWP of awards of UC. Rather than using this notification to ask a customer to claim CTR (as we do now) we propose treating this notification as a claim for CTR. This would have multiple benefits: awarding CTR where it is due from the earliest possible date, reducing the need for reminders to residents to complete application forms, avoiding contentious issues surrounding back-dating of awards and reducing the need to pursue debts where people are likely to struggle to afford to pay.

12. **De minimus.** Under this proposal, we would only re-calculate the CTR award when it changes by £3 per week or more following a change in circumstances (e.g. an increase in state benefit or pay). For example, if someone's part-time earnings increased by £5.00 and this resulted in a CTR reduction of £2.00, we would not re-calculate the award (and therefore not issue a revised CT bill). Administratively, this will result in fewer revised CT bills being issued, and as such there is a positive impact on the collection of CT, as well as less confusion to payers regarding what CT they are required to pay.

**Appendix 2** outlines the impact on an anonymised sample of households.

13. We will undertake work over the coming months, using the data provided by the UC4CTR product, to develop further proposals for simplification of our CTR scheme. We aim to bring any further proposals to Cabinet and Scrutiny during 2020/21 with a view to implementation in 2021/22.

### **Finance**

14. Government grant funding for Housing Benefit administration has been reducing year on year. The recommendations in this report will help to reduce the administrative cost in Revenue and Benefit Services as funding reduces. CT collection performance for households in receipt of CTR is lower than for households in general. Collection performance for households in receipt of CTR and UC is lower than for other households in receipt of CTR but not UC.

### **Law**

15. The Local Government Finance Act 2012 introduced local council tax reduction schemes to replace council tax benefit from April 2013.
16. 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.
17. The Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012 (Statutory Instrument 2012 / 2886) contains the default council tax reduction scheme that could be adopted by authorities either by choice or it was imposed in the event that no local scheme was set by 31<sup>st</sup> January 2013.

### **Equality Impact**

18. The Government has stated that local schemes should provide support for the most vulnerable. The Government has not prescribed the protection that local authorities should provide for vulnerable groups other than pensioners. Guidance was however issued in May 2012 regarding the existing duties local authorities must take into account in relation to vulnerable groups in designing their schemes. These cover the following:

- the public sector equality duty set out in section 149 of the Equality Act 2010
  - the duty to mitigate child poverty under the Child Poverty Act 2010, and
  - the duty to prevent homelessness under the Housing Act 1996.
19. The guidance does not tell local authorities what they must do in their schemes to be compliant with these duties, but states that this needs to be tailored to their own specific circumstances.
20. There are equality implications that will need to be considered and integrated into the consultation and decision making process for a revised local scheme. This will include the completion of equality impact assessments and we will also use these to identify any unintended consequences to ensure that our local scheme is fair and equitable.
21. There has been no specific involvement of children and young people in developing the proposals in this report.

### **Organisational Development/Transformation**

22. These recommendations do not have any organisational development/HR or transformational implications.

### **Commercial/Procurement**

23. These recommendations do not have any impact on the potential to commercially trade or a positive / negative impact on our customer base.

### **Health, Wellbeing and Safety**

24. The proposals in this report support the health and wellbeing of residents in Dudley by assisting customers to budget more effectively and making it easier for customers to claim and from a potentially earlier date.



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## **Appendices**

Appendix 1 - CTRS Limitations and Dudley's story so far

Appendix 2 - Anonymised sample of households in receipt of CTR showing the effect of UC re-calculations and the effect of a de minimus scheme

## **List of Background Documents**

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[Local Government Finance Act 2012](#)

[The Council Tax Reduction Scheme \(Prescribed Requirements\) \(England\) Regulations 2012](#)

[The Council Tax Reduction Scheme \(Default Scheme\) \(England\) Regulations 2012](#)

[The Council Tax Reduction Schemes \(Prescribed Requirements and Default Scheme\) \(England\) \(Amendment\) Regulations 2012](#)

Background to the independent research included in the Appendix is also available on the following website:

<http://counciltaxsupport.org/>

## Appendix 1

### CTRS Limitations

Although local CTR schemes can vary significantly from the CTB rules there are a number of limitations on the design of a “local” scheme:

- The rules for pensioners (just under **50%** of our caseload) are prescribed and mirror CTB
- All financial implications of a Dudley scheme also affect preceptors (i.e. Fire & Police)
- No scheme should provide a disincentive to work
- Vulnerable groups (to be defined by LA) can be protected from scheme changes
- Consultation is required for any scheme changes
- Schemes must be within options supported by software suppliers
- Schemes cannot be changed mid-financial year and must be approved by Full Council before 12<sup>th</sup> March each year
- Less generous schemes increase the council tax to be collected from low-income households and the potential collection issues need to be factors in a scheme design
- When making scheme changes potential transitional arrangements should be considered.

### CTRS in Dudley so far

In CTR year 1 (2013/14), Dudley protected all of its low income households by adopting the Government’s default CTR scheme which mirrored CTB.

In CTR year 2 (2014/15), Dudley introduced a scheme that protected a wide range of vulnerable groups from changes but for the remainder (approx 7,000) there was an 8.5% cut in the level of their CTR.

In CTR year 3 (2015/16), Dudley introduced the 20% cut in CTR to all non-protected groups. The range of protected groups remained the same as year 2.

In CTR year 4 (2016/17), Dudley expanded the 20% cut in CTR to everyone except pensioners.

In CTR year 5 (2017/18), Dudley increased the cut in CTR to 22% to everyone except pensioners.

In CTR year 6 (2018/19), Dudley increased the cut in CTR to 23% to everyone except pensioners. Additionally we made provision for care leavers so that up to 100% CTR could be awarded, subject to applying the means test in the Government’s default CTR scheme.

In CTR year 7 (2019/20), no further changes were made.

## Appendix 2

### Anonymised sample of households in receipt of CTR showing the effect of UC re-calculations and the effect of a de minimus scheme

Case	Date UC awarded	No. of CTR reviews that did not create a new bill	No. of CTR reviews that created a new bill	No. of CTR reviews that would have created new bill under deminimus	CTR award for 18/19 under current scheme	CTR award for 18/19 under deminimus	Difference between 2 schemes	More / Less
A	07/07/2017	1	4	3	£653.84	£655.30	£1.46	more
B	02/08/2017	1	1	1	£497.62	£497.62	£0.00	
C	07/09/2017	4	2	1	£637.09	£637.09	£0.00	
D	07/08/2017	1	0	0	£593.57	£593.57	£0.00	
E	05/07/2017	7	0	0	£873.73	£873.73	£0.00	
F	10/07/2017	2	11	6	£643.08	£651.68	£8.60	more
G	14/08/2017	2	0	0	£561.68	£561.68	£0.00	
H	12/09/2017	3	8	2	£231.76	£374.74	£68.98	more
I	26/09/2017	1	0	0	£561.68	£561.68	£0.00	
J	28/12/2017	3	9	5	£193.96	£142.73	£51.23	less
<b>Totals</b>			<b>35</b>	<b>18</b>				

The above table shows activity during the 2018/19 financial year.

Column 4 shows that during this year these 10 CT accounts were issued with **35** CT bills advising of their CTR entitlement and subsequent changes to their CTR entitlement. They may well have received more CT bills for other, non-CTR related issues.

Column 5 shows that if the de minimus scheme had been in place in 2018/19, the number of such CT bills would have reduced to **18**, nearly 50%.