

APPENDIX 2 REVIEW OF WORKING AGE COUNCIL TAX REDUCTION SCHEME FOR 2020/21

SUMMARY

1. The ongoing rollout of Universal Credit will adversely affect the operation and administration of the local Council Tax Reduction (CTR) Scheme for working age claimants, increasing duplication of effort on the part of the claimant and increasing the administrative burden on the Council. In order to mitigate this growing burden on both claimants and the Council, a number of proposals for reform of the local CTR Scheme have been developed while maintaining the overall level of support provided to working age claimants at £7.9m per annum.
2. In July 2019, Cabinet approved a public consultation exercise to seek views on proposed reforms, with the Council writing to all 9,498 working age households in receipt of CTR and publicising the consultation through the website and social media. This exercise garnered 79 responses, with a positive or neutral response on all proposals, with both the content of responses received and the very low number of responses reflecting the limited impact of proposed reforms on household entitlements.
3. An Equalities Impact Assessment has been undertaken and appended to this report, with this exercise indicating that no groups with protected characteristics are materially adversely affected by the proposed reforms to the CTR Scheme. In addition, the Greater London Authority (who fund 21.95% of the scheme through their share of the Council Tax) are broadly supportive of the reforms.
4. In light of feedback from the public and Greater London Authority, and taking into account the outcomes of the Equalities Impact Assessment, it is therefore proposed that Council approve the recommendations laid out in this report. Subject to the approval of these recommendations, proposed reforms will come into effect from 1 April 2020 and be reflected on Council Tax bills issued for the new financial year.

RECOMMENDATIONS

That Cabinet:

Having due regard to the Equalities Impact Assessment at Appendix 2a, approve the following amendments to the Council's local Council Tax Reduction Scheme with a view to reforming the scheme with effect from April 2020:

- a) Introduction of a Banding Scheme for Working Age Claimants, including simplification of non-dependent deductions and earnings disregards;
- b) Reducing the capital limit for the scheme from £16k to £6k in line with Universal Credit,
- c) Establishing a £1 minimum weekly award, and;
- d) Maintaining current protections for those households in receipt of higher levels of support within the current scheme due to having more than two children prior to 31 March 2018.

Reasons for Recommendation and Alternative Options Considered

5. The proposed reforms to the working age CTR Scheme are intended to mitigate the growing administrative burden associated with the roll out of Universal Credit, where interactions between the national benefit and the local scheme are resulting in higher numbers of changes in assessed awards and duplication of effort on the part of both claimant and the Council. The central reform is the move towards an income banding scheme, with similar schemes having been successfully rolled out during 2019/20 in 28 authorities across the country.
6. The Council could opt to maintain the current scheme for working age CTR claims, which would remove the requirement to design, implement and consult upon a new scheme. However, this will, from a claimants perspective, maintain an overly complex scheme that can result in frequent changes in a claimants council tax liability which can be difficult to understand.
7. There is also scope to limit roll out of the new scheme in 2020/21 to those CTR claimants in receipt of Universal Credit, with further claimants transferring to the new scheme as migration to Universal Credit is completed. At present, this would see 1,570 of the 9,498 claims migrating although it is likely that this figure would rise by 1 April 2020. However, this would result in three schemes being run in parallel (one for Universal Credit claimants, one for non-Universal Credit claimants and one for pensioners) and would result in people transferring between schemes as they move to Universal Credit over the next few years.

BACKGROUND

8. Local Council Tax Reduction (CTR) Schemes were introduced in April 2013 as a replacement to the former Council Tax Benefit regime, with a nationally determined offer for pensioners and local authorities granted autonomy to deliver a local scheme for working age claimants. Local schemes, including that operated in Hillingdon, were modelled on Council Tax Benefit, which itself had been closely aligned to the Housing Benefit system – minimising duplication of effort for both the Council and claimants entitled to both forms of support.
9. The current CTR offer for working age claimants provides for up to 90% reduction in the Council Tax liability for a household defined as vulnerable, or 75% for other households, with the exact level of reduction assessed on the basis of household income and a formulaic assessment of the cost of living. This assessment requires verification of the earnings, and in some cases living expenses and other information, for the claimant, their partner and any non-dependent adults living within the household. Currently, 9,498 working age households are in receipt of CTR at an annual cost of £7.9m.
10. At present, a number of working age CTR claimants are also in receipt of Housing Benefit, which continues to be administered by the local authority on behalf of the Department for Work and Pensions (DWP). As the majority of information required from claimants to support a CTR application mirrors the requirements of the Housing Benefit scheme, the claimant is therefore able to provide information once in order to receive both entitlements.

11. Housing Benefit is one of six legacy benefits being combined into Universal Credit, with administration being managed centrally by DWP rather than through local authorities. Hillingdon went live with full service Universal Credit on 24 October 2018, after which date all new claims for support with housing costs are routed through Universal Credit while the Council managed the existing caseload. Latest indications are that managed migration of remaining Housing Benefit claims from the Council will be completed between 2020 and 2024.
12. Currently, 1,570 of the 9,498 working age CTR claimants are also in receipt of Universal Credit with this number set to rise through both natural turnover of claims and the managed migration from Housing Benefit. These claimants are being asked to provide similar information to both DWP and the Council, with the Council no longer able to capitalise on economies of scale in assessing both entitlements in parallel.
13. In addition to duplication of effort between DWP and the Council, combining legacy benefits into Universal Credit has led to greater volatility in income for claimants, which under the current CTR scheme necessitates the Council reassessing an individual's entitlement. This represents both an additional administrative burden on the Council and can result in frequent changes to a household's Council Tax liability.

PROPOSALS FOR REFORM

14. In order to address the above issues arising from the roll out of Universal Credit, a number of proposals for the reform of Hillingdon's CTR Scheme have been developed for implementation from April 2020. These proposals are intended to maintain the aggregate level of support provided to local working age households at £7.9m per annum while reducing duplication of effort on the part of the claimant and the administrative burden on the Council. There are three distinct elements to these reforms, which are expanded upon below:
 - a) Introduction of a Banding Scheme for Working Age Claimants, including a simplification of earnings disregards;
 - b) Reducing the capital limit for the scheme from £16k to £6k in line with Universal Credit, and,
 - c) Establishing a £1 minimum weekly award, and;
 - d) Maintaining current protections for those households in receipt of higher levels of support within the current scheme due to having more than two children prior to 31 March 2018.
15. These reforms will not impact upon pensioners receiving CTR support, who would remain subject to the existing nationally defined scheme. Proposed reforms to working age support have been developed to maintain the overall level of support granted at approximately £152k per week or £7.9m per annum, although the move towards a simplified system and lowering of the capital limit has scope to impact upon individual claimants' awards.

Introduction of a Banding Scheme for Working Age Claimants

16. The central element of proposed reforms for April 2020 is the introduction of an income banding scheme, whereby the level of support provided to a household will be assessed on

the basis of weekly income against a series of bandings depending on the composition of the household. This draft banding grid being consulted upon for April 2020 implementation is set out below.

Table 1: Proposed Banding Scheme

Household Type:	Based on weekly income amount								CTRS Reduction
	Single		Couples		Family 1 Child		Family 2 or more Children		
	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	
Band 1	£0.00	£125.00	£0.00	£220.00	£0.00	£340.00	£0.00	£520.00	100%
Band 2	£0.00	£180.00	£0.00	£250.00	£0.00	£330.00	£0.00	£500.00	90%
Band 3	£0.00	£90.00	£0.00	£130.00	£0.00	£150.00	£0.00	£260.00	75%
Band 4	£90.01	£120.00	£130.01	£170.00	£150.01	£210.00	£260.01	£340.00	55%
Band 5	£120.01	£150.00	£170.01	£210.00	£210.01	£270.00	£340.01	£420.00	35%
Band 6	£150.01	£180.00	£210.01	£250.00	£270.01	£330.00	£420.01	£500.00	15%

17. The Banding Scheme will be grouped in two categories, with the majority of claimants with a vulnerable status being allocated to Band 2 and Band 1 being utilised for those meeting the existing criteria for 100% relief. All claimants not meeting the eligibility criteria for vulnerable will be assigned to a band between 3 and 6 on the basis of household income.
18. Under the current system, households will receive a discount of between 0% and 75% (90% for those classed as vulnerable), with the specific level of discount varying due to changes in individual circumstances. Under the banding scheme, so long as income received by the household remains within the thresholds of their band, minor changes in income will not result in a changes in CTR entitlement. This is expected to significantly reduce the impact of frequent changes in Universal Credit entitlement on the level of CTR being provided.
19. In moving to a banding scheme, it is not proposed to change the types of income judged relevant to the assessment of CTR entitlement, for example, specific disability benefits such as elements of Personal Independence Payment or Disability Living Allowance, and support for housing costs through either Housing Benefit or Universal Credit will continue to be disregarded. In addition, the current system of earning disregards will be reformed to move to a single £25 per week disregard for all claimants, making the scheme easier to understand and administer.
20. Within the current scheme a number of non-dependent disregards are in place, scaling back the level of CTR support provided in cases where other members of the household are deemed to be contributing towards the Council Tax liability. At present, there are a range of specific deductions on CTR support ranging from zero to £19.50 per week, as part of the broader simplification of the scheme it is proposed to set all non-dependent disregards to £5 per week. This is intended to remove the requirement to gather information on the status of non-dependent residents and therefore reduce the administrative burden for both claimants and the Council.
21. It is proposed to maintain the current definition of a vulnerable household, with all those meeting this criteria being entitled to a reduction of up to 90% of their Council Tax liability. While under the current scheme tapering mechanisms reduce entitlement for vulnerable households with higher income, a banding scheme would effectively provide a 90%

reduction to all households meeting these criteria regardless of their earnings. It is therefore proposed to introduce an income threshold above which a household would be ineligible for CTR support, it is currently proposed to set this at the same level for all households – both vulnerable and non-vulnerable.

Reducing the capital limit for the scheme from £16k to £6k

22. Under the current CTR scheme, households with capital of less than £16k (excluding the value of their home) are entitled to support, with those holding between £6k and £16k subject to a taper – reducing the level of support for every £1 above £6k. This approach requires independent verification of savings by the Council where those receiving Universal Credit will have already provided this information to the DWP. By lowering the limit for capital to £6k and abolishing the taper, this additional verification work will no longer be required as information shared by DWP would be sufficient to identify whether households meet the threshold.

Establishing a £1 minimum weekly award

23. In addition, it is proposed to establish a £1 minimum weekly award in order to avoid cases whereby households are rebilled for a marginal change in their Council Tax liability. This is intended to reduce administrative costs and provide greater stability for the individual claimant.

Maintaining current protections for those households in receipt of higher levels of support within the current scheme due to having more than two children prior to 31 March 2018

24. In January 2018, the Council's CTR Scheme was brought into line with the Government's approach to child dependents for Universal Credit and Housing Benefits whereby no additional entitlement was payable to households with more than two child dependents. At the time, the Council implemented transitional protection for those households already in receipt of higher levels of support due to having three or more children. It is recommended that this transitional protection is maintained under the proposed banding scheme.

Impact Assessment of Proposed Reforms

25. The above proposals have been developed to deliver a simpler, less administratively burdensome CTR scheme while maintaining both the current level of investment in the scheme and avoiding significant levels of redistribution between claimants. The following table provides an overview of the impact of the above changes on the 9,498 households currently in receipt of CTR support, analysed by household type and vulnerable status.

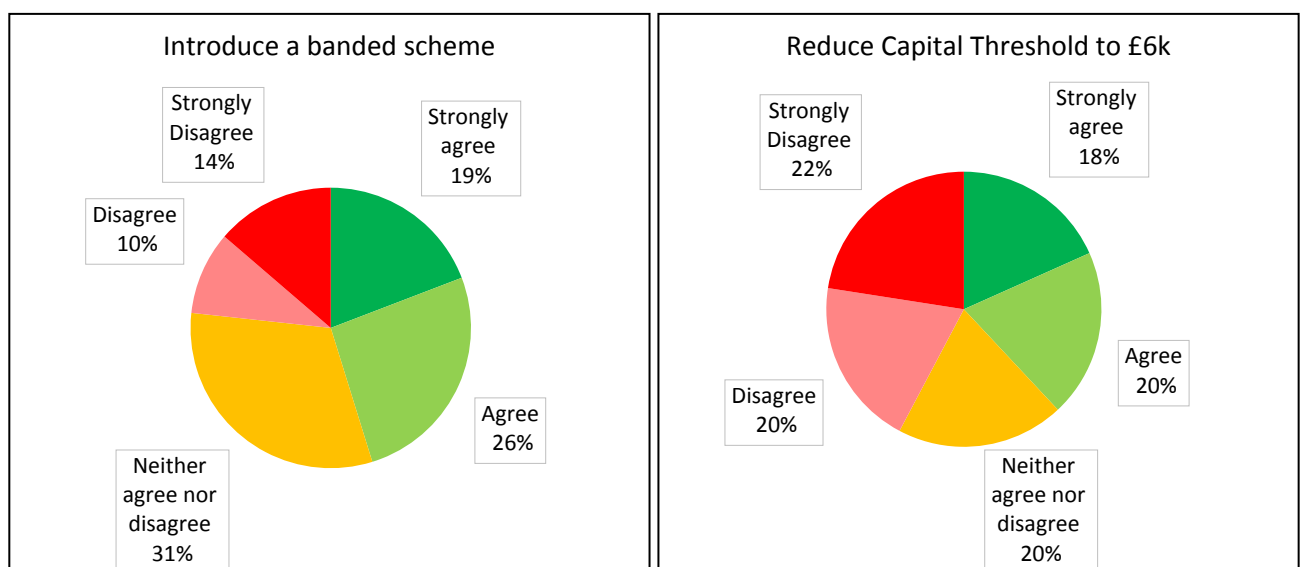
Table 2: Impact Assessment of Proposed Banding Scheme

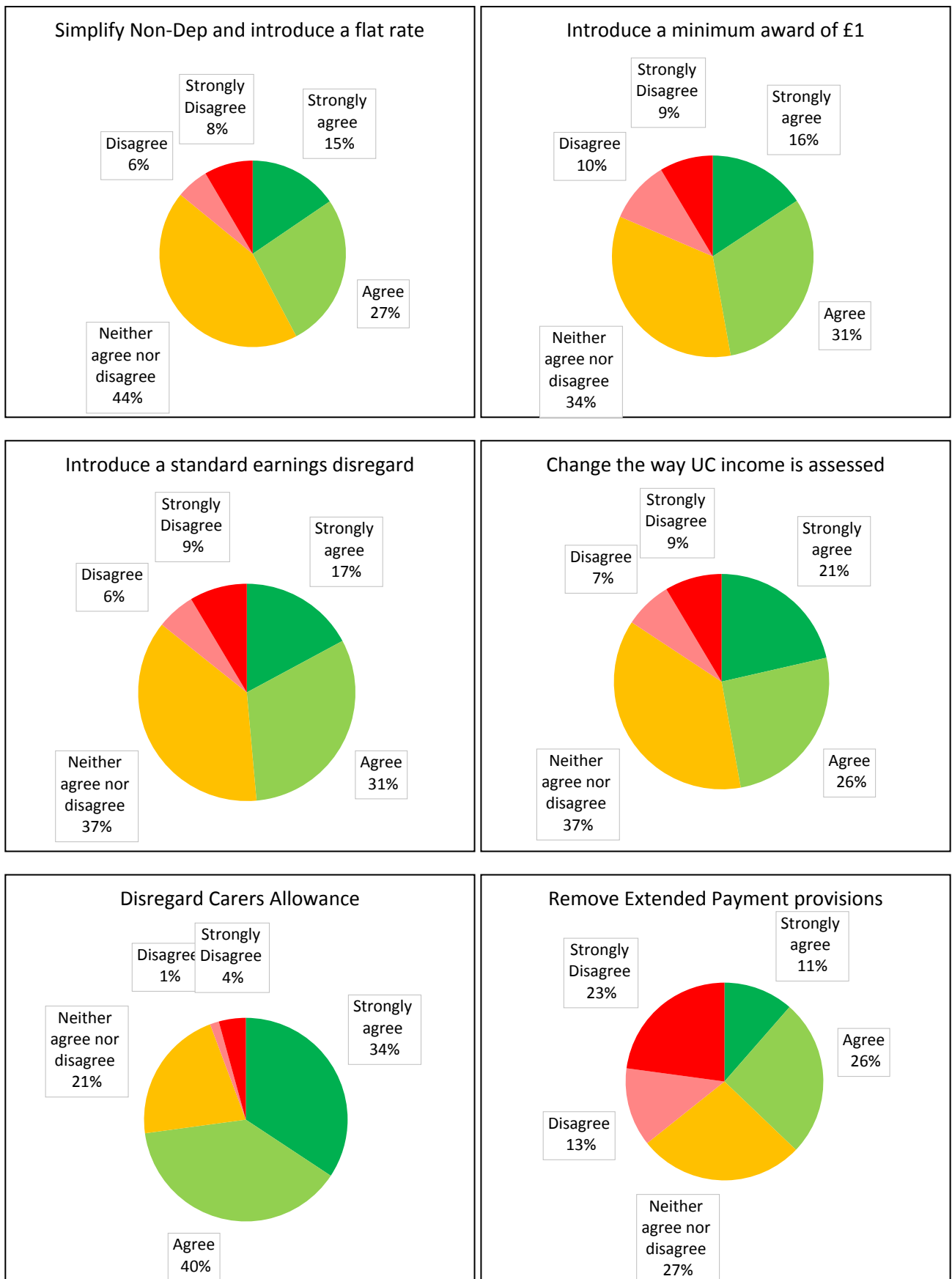
Household Type	Number of Claims	Current Award (£)	Proposed Award (£)	Variance (£)	Variance (%)
Single	3,708	59,475.61	57,852.78	-1,566.89	-2.63%
Couples	522	10,236.29	10,650.06	413.77	4.04%
Family 1 Child	1,766	26,798.37	27,866.73	1,068.36	3.99%
Family 2 or more Children	3,502	55,176.89	56,057.45	4,374.46	7.93%
Total	9,498	151,687.16	152,427.02	4,289.71	2.83%

26. Of the 9,498 claims, 448 households will see a reduction in their weekly CTR entitlement of more than £5, with these losses linked specifically to cases where income exceeds the upper limits set out in the banding scheme or capital exceeds the £6k limit. This has translated into increased awards across other claims, including favourable movements in relation to disregarding the carers allowance.
27. Alongside this high level overview, a comprehensive Equalities Impact Assessment has been undertaken with the full document included at Appendix 11a for consideration by Cabinet Members in the context of recommending proposals for approval at full Council in January 2020. This exercise confirms that no groups with protected characteristics are materially adversely affected by the proposed reforms to the CTR Scheme.

Outcome of Public Consultation and Feedback from Greater London Authority

28. As approved by Cabinet in July 2019, a public consultation exercise was undertaken during the six weeks between 23 September 2019 and 3 November 2019, with the Council writing to all 9,498 households in receipt of CTR support, and advertising the consultation on both the website and social media platforms. This exercise garnered 79 responses, with a positive or neutral response on all proposals, with both the content of responses received and the very low number of responses reflecting the limited impact of proposed reforms on household entitlements.
29. The consultation sought views on eight specific aspects of the scheme design, with a plurality of responses either strongly agreeing or agreeing with the proposals in all cases except for reducing the capital threshold to £6k. In all cases, neither agree nor disagree represented a significant proportion of responses (between 20% and 44%), which together with the limited number of responses indicates that the Council has been successful in minimising adverse impacts while maintaining overall levels of investment in the CTR Scheme. The following charts provide an overview of consultation responses:





30. Feedback on limiting eligibility to the scheme to those with less than £6k capital focused upon the requirement for claimants to maintain savings as a safety net, noting in particular the cash requirements for securing a rented tenancy. Given the range of targeted support

available from the Council for individuals in such circumstances, including Discretionary Housing Payments, it is proposed that the £6k capital limit is maintained.

31. In addition to the public consultation exercise, the Council sought views from the Greater London Authority as their 21.95% share of Council Tax funds an equivalent share of Hillingdon's CTR Scheme. The Greater London Authority were supportive of the Council's proposed move to a banding scheme, welcoming the greater clarity and certainty for households and endorsing the proposal to maintain funding for the scheme at current levels. In addition to commenting on specific proposals for the CTR Scheme, the response suggested that the Council could increase the empty homes premium to invest further funds in the CTR Scheme, however given the limited additional income likely to be forthcoming through this mechanism no change to the premium is recommended at this time.

TIMETABLE AND NEXT STEPS

32. Alongside the development of the revised scheme and associated public consultation, officers have been working closely with the Council's Revenues and Benefits ICT systems provider to ensure that appropriate systems functionality is in place to implement the recommended scheme. This work is underway, with necessary system enhancements and appropriate testing to be completed in advance of the issuing of annual Council Tax bills in advance of the new financial year.