

NORTH YORKSHIRE COUNCIL

EXECUTIVE

19 JULY 2022

Council Tax Reduction

1.0 PURPOSE OF REPORT

- 1.1 To recommend that the Council consults with Major Preceptors and Stakeholders on a new Council Tax Reduction (CTR) Scheme for the new North Yorkshire Council to be introduced from 1st April 2023.

2.0 SUMMARY

- 2.1 As billing authority, the new North Yorkshire Council must adopt a policy for the Council Tax Reduction scheme for the year commencing 1st April 2023. The proposals must be adopted by Full Council by 11 March 2023, however early approval is recommended in order that the financial implications of the decisions can be accommodated within the new organisation's budget and Council Tax setting process. It is intended that a unified approach to the Council Tax Reduction Scheme be adopted by the new organisation to ensure equity across the whole of the North Yorkshire Council area.
- 2.2 The purpose of this report is to seek authority to undertake a statutory consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council Tax Reduction Scheme, which will take effect from 1st April 2023. It is currently envisaged that the final Scheme proposals will be presented to Full Council for consideration in November 2022.
- 2.3 The new unitary Council does not need to make any decision in relation to pension age applicants as that scheme is prescribed by Government and is operated by all English authorities in a similar way. As with all other authorities, the Council does however need to adopt a CTR scheme for working age applicants.
- 2.4 Council Tax Reduction was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to Councils from Government has reduced year on year.

3.0 BACKGROUND

- 3.1 CTR was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
 - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

- 3.2 Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and into the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Government sources.
- 3.3 Currently Council Tax Reduction schemes administered by the districts and boroughs are divided into two, with pension age applicants receiving support under the rules prescribed by statute, and the scheme for working age applicants being determined solely by the individual districts in their role as Council Tax billing authorities.
- 3.4 Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. No authority has the power to change the level of support provided to pensioners although in all cases the pension age schemes have been enhanced by North Yorkshire districts to allow the full disregard of war pensions and war disablement pensions (the Local Scheme). This fulfils the authorities' agreement to adopt the Armed Forces Covenant.
- 3.5 When Council Tax Reduction was introduced in 2013, for working age applicants, the districts and boroughs broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Since that time however, each district and borough has made changes to the working age provision to a greater or lesser extent.
- 3.6 Four districts (Hambleton, Ryedale, Richmondshire and Selby) have fundamentally changed their approach for working age applicants by introducing a modern, simplified 'grid/ banded' scheme.
- 3.7 A high level summary of the working age schemes operated by each district is shown at **Appendix A**.
- 3.8 It can be clearly seen from **Appendix A** that the districts and boroughs currently run distinctly different working age schemes. This approach cannot continue and the new authority will need to adopt a common approach (i.e. a single unified scheme) across the whole area with effect from 1st April 2023.

The main issues with the current scheme

- 3.9 There are issues with some of the current schemes that need to be addressed if the new system is to continue to provide effective support to low-income taxpayers in a way that can be managed in a cost effective and efficient manner across the entire North Yorkshire area.

The main issues to consider are as follows:

- The need to assist low-income households and assist in the collection of Council Tax;
- The introduction of Universal Credit for working age applicants; and
- The need for a simplification of the scheme.

- 3.10 Each of the above are examined in detail below:

The need to assist low-income households and assist in the collection of Council Tax

- 3.11 Since 2013 when Council Tax Reduction was introduced a large number of authorities, including the North Yorkshire districts and boroughs, have required all working age applicants to pay a minimum payment towards their Council Tax liabilities. Three of the existing districts still require working age applicants to pay a minimum amount (the greatest being 12.5%). The remaining districts and boroughs allow working age applicants up to 100% support.

- 3.12 There has been a strong view within the NY DCs that greatest support should be given to those households on the lowest of incomes. This view has gained momentum over the past few years but has been reinforced since the COVID-19 crisis which has had a major effect on incomes generally.
- 3.13 Whilst the principle of all working age households paying 'something' towards their Council Tax liabilities was initially thought to be an approach that would be central to the design of Council Tax Reduction, the reality is that, since its introduction, low-income taxpayers and the poorest households, have often been unable to pay the balance. This has resulted in additional collection costs, court, and enforcement action and, in some cases, the amounts demanded have been written off as uncollectable.
- 3.14 The costs of administering these cases are borne solely by billing authorities and have increased significantly over the years. With the difficulties experienced, the relatively low level of payment and the high administration costs incurred, it no longer makes the amounts economically viable to collect, notwithstanding the negative effects to those poorest households.

Council Tax Reduction and the roll out of Universal Credit

- 3.15 The introduction of Universal Credit within the North Yorkshire area has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. All Councils have experienced the following:
- The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to a loss in entitlement;
 - A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Reduction entitlement. On average 40% of Universal Credit claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays, and a demonstrable loss in collection; and
 - The increased costs of administration through multiple changes with significant additional staff time being needed.
- 3.16 It is clear that means tested designed Council Tax Reduction schemes, which are too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area and with the significant increase in Universal Credit claimants due to the COVID-19 crisis. The move to a new, more efficient scheme from the commencement of the new Council in 2023 is imperative.

The need for a simplified approach to the Council Tax Reduction Scheme.

- 3.17 Notwithstanding the introduction of Universal Credit, means tested schemes have major defects namely:
- They are complex for customers to understand and are based on a complex calculation of entitlement;
 - The administration for staff is complex, with staff having to request significant amounts of information from applicants;
 - Staff have to undergo significant training to be proficient in processing claims;
 - The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and

- The administration of the scheme is costly when compared to other discounts for Council Tax.

3.18 There is therefore a need to introduce a simplified scheme across the whole of the North Yorkshire area, not only to align all seven schemes but also to mitigate the effects of Universal Credit and make it easier for customers to make a claim and significantly reduce the costs of administration.

4.0 PROPOSALS FOR THE 2023/24 COUNCIL TAX REDUCTION SCHEME

4.1 In view of the above it is proposed that a simplified banded / income approach be implemented as the scheme for the new North Yorkshire Council. The approach has been designed to provide support to the poorest households as well as addressing the following issues:

- (a) The problems with the introduction of full-service Universal Credit; and
- (b) The significant increase in administration costs due to the high level of changes received in respect of Universal Credit;

4.2 Benefits Managers from all of the district and borough councils have been working with an external consultant since early 2022 to develop proposals for a new scheme, and this work is now complete. Consultation on the proposals now needs to be undertaken with the public and the major precepting authorities. If accepted by the Council, the new scheme will take effect from 1st April 2023.

4.3 The proposed new scheme has a number of features as follows:

- More support given to those households on the lowest of incomes;
- The changes can **only be made to the working age schemes** as the current schemes for pensioners is prescribed by Central Government;
- The current schemes operated within the districts and boroughs will be replaced by a single unified simple income grid model as shown below:

	Passported	Single	Couples £	Family with One Child £	Family with Two or more children £
Discount level		Weekly Income Levels £			
Band 1 100%	Relevant Benefit	0.00 to 120.00	0.00 to 167.00	0.00 to 219.00	0.00 to 271.00
Band 2 75%	N/A	120.01 to 160.00	167.01 to 208.00	219.01 to 261.00	271.01 to 312.00
Band 3 50%	N/A	160.01 to 210.00	208.01 to 261.00	261.01 to 302.00	312.01 to 354.00
Band 4 25%	N/A	210.01 to 265.00	261.01 to 312.00	302.01 to 354.00	354.01 to 396.00

- It is proposed that the highest level of discount (i.e. Band 1) will be at a maximum level of liability (100%), and all current applicants that are in receipt of a 'passported benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) will receive maximum discount:

- All other discount levels are based on the applicant's and partner's, (where they have one) net income;
- The scheme allows for variation in household size, with the levels of income per band increasing where an applicant has a partner, and / or dependants;
- There is no restriction on Council Tax band level;
- There are no charges made where an applicant has non-dependants living with them. This is a significant change for some districts and boroughs and means that the administration of the scheme will be more straightforward whilst also protecting low-income families where adult sons and daughters for example remain at home;
- To encourage work, a standard £25 per week disregard for a single applicant and £50 per week disregard for a lone parent or couple is provided against all earnings. This will take the place of any standard disregards and additional earnings disregards. Where a family also receives a childcare disregard (for childcare costs not paid for by Central Government schemes), the income levels in the 'grid scheme' are set at a higher rate;
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance continues are disregarded;
- Where any applicant, their partner or dependent child(ren) are disabled, a further disregard of £40 per week will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance is disregarded;
- Child benefit and Child Maintenance are disregarded;
- An amount in respect of the housing element, within Universal credit is disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments are removed; and
- A capital limit of £6,000 with no tariff (or assumed income) is applied.

4.4 With the simplicity of the proposed new scheme and by adopting a more 'Council Tax discount approach', it will help to minimise administration costs, which are caused by failings in some of the current schemes and Universal Credit as follows:

4.5 The scheme will require a simplified claiming process. Applicants will see a significant reduction in the claiming process and, where possible, Council Tax Reduction will be awarded automatically. For Universal Credit applicants *any* Universal Credit data received from the Department for Work and Pensions (DWP) will be treated as a claim for Council Tax Reduction. Where information is received from DWP, the entitlement to Council Tax Reduction will be processed automatically without the need to request further information from the taxpayer. These changes will have the following distinct advantages namely:

- **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
- **Maximising entitlement to every applicant** - there will no requirement for Universal Credit applicants to apply separately for Council Tax Reduction, and the claiming process for all other applicants will be simplified significantly. Entitlement to Council Tax Reduction will be maximised, with a reduced risk of loss of discount or the need for backdating;
- **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining and potentially exceeding the high collection rates currently being achieved. The increased level of discount will assist all those applicants on the lowest levels of income, again improving the overall collection rate;

4.6 The income bands are sufficiently wide to avoid constant changes in discount. The new scheme, with its simplified income banding approach will have the following advantages:

- Only significant changes in income will affect the level of discount awarded;
- Council Taxpayers who receive Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments; and
- The new scheme is designed to reflect a more modern approach, where any discount changes will be effective from the day of the change rather than the Monday of the following week.

5.0 TRANSITION TO THE NEW SCHEME AND THE EXCEPTIONAL HARDSHIP SCHEME

- 5.1 The Council must be mindful that any transition to a new scheme may result in a change to the entitlement of certain applicants.
- 5.2 Inevitably, as with any change in scheme, there will be some winners and losers although the proposed scheme has been designed to protect the most vulnerable. It is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate, further support will be given to the applicant.
- 5.3 This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the Council Tax Reduction scheme and be paid through the Collection Fund.

6.0 FINANCIAL IMPLICATIONS

- 6.1 The current Council Tax Reduction schemes costs approximately £35.7m across the North Yorkshire Council area. This cost is borne by each billing authority's Collection Fund, with the costs being shared between the billing authority and the major preceptor in proportion to the Band D Council Tax charges set in any one year. Based on current charges the approximate proportions would be as follows:
- North Yorkshire Council - 82%
 - North Yorkshire, Police, Fire and Crime Commissioner - 18%
- 6.2 The overall approach for the single unified scheme will be to provide additional support to those households on the very lowest incomes. Based on the modelling of current caseload data the cost of the new scheme is estimated at £38m. Financial modelling will be undertaken periodically throughout the project to reflect movements in caseload, and updated cost projections will be presented to Full Council alongside the final scheme proposals.
- 6.3 On 5th July the Council's Executive was presented with a report which set out the recommendations for Council Tax Discounts and Premiums. The report established that - if approved - the proposals will generate additional Council Tax revenue of circa £2m, and recommended that the additional income be ring-fenced to support the Council Tax Reduction scheme. If the proposals are agreed the budget for the Council Tax Reduction scheme will stand at £37.7m (i.e. £35.7m existing spend plus £2m ring-fenced revenue), compared to the £38m estimated cost of the new scheme; resulting in a net cost of circa £300k.
- 6.4 Earlier sections of this report set out that a key benefit of implementing a banded scheme is the administrative efficiencies that can be derived from the automation of the calculation of support for Universal Credit claimants, and reductions in the re-calculations of Council Tax

Support and issuing of revised bills. There will also be reductions in the costs of undertaking recovery action and the provision needed for non-collection of Council Tax debts.

- 6.5 It is envisaged that the efficiencies that will be derived from the roll out of the banded scheme across the entire North Yorkshire Council area will more than cover the anticipated £300k net scheme cost, resulting in a cost neutral budget position for the new Council.

7.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 7.1 Council Tax Reduction Schemes are the responsibility of the 'billing authority' under the Council Tax legislation. Currently this responsibility lies with the districts and borough Councils but from 1 April 2023 this lies with the new North Yorkshire Council.
- 7.2 The Executive is asked to approve the launch of a consultation with public and Major Precepting Authorities on the introduction of a new, income banded / grid Council Tax Reduction scheme for working age applicants with effect from 1st April 2023; as detailed within **Sections 4 and 5** of this report.
- 7.3 The scheme will apply to the whole of the North Yorkshire Council area and will increase the overall level of support for the lowest income families, whilst reducing the administrative burden placed on the Council by the introduction of Universal Credit.

8.0 LEGAL IMPLICATIONS

- 8.1 Schedule 1A (3) of the Local Government Finance Act 1992, states that before adopting a scheme, the authority must:
- consult any major precepting authority which has power to issue a precept to it,
 - publish a draft scheme in such manner as it thinks fit, and
 - consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 8.2 It is proposed that the consultation will take place over an 8 week period, commencing on 25 July 2022 and closing on 18 September 2022. To encourage maximum public participation a Consultation Communication Plan has been drafted. As part of the Communication Plan all existing Working Age claimants across the North Yorkshire area will be written to in order to encourage participation in the consultation. The Consultation will be primarily web based, however non digital residents will be able to request paper copies of the consultation and support will be available for those who require assistance completing the consultation. In addition there will be further wider communication including the wider public.
- 8.3 On closure of the consultation the results will be analysed and be included in the report to Full Council in November 2022 for approval of the Council Tax Reduction scheme for the new North Yorkshire Council.
- 8.2 In order to set a new scheme, the Council is obliged to make a resolution by 11th March of the year prior to the scheme coming into place.

9.0 CLIMATE CHANGE IMPLICATIONS

- 9.1 None

10.0 EQUALITIES IMPLICATIONS

- 10.1 The move to the new scheme will either have a neutral or positive affect to the majority of working age claimants. The 14,570 pensioners within the scheme will not be affected.
- 10.2 Initial modelling shows that 16,601 working age claimants will receive either the same or more support than under the previous schemes.
- 10.3 As with all changes however, there will be up to 2,594 claimants who may receive less support than previous. In all of those cases, further support will be available through the Council's Exceptional Hardship Fund.
- 10.4 An Equalities Impact Assessment (EIA) has been completed and is shown at **Appendix B**. The EIA will be reviewed during the consultation process and an updated EIA will be provided to accompany the final recommendation report.

11.0 RECOMMENDATIONS

- 11.1 It is recommended that the Council consults with Major Preceptors and Stakeholders on a new Council Tax Reduction Scheme for 2023/24 onwards for the new North Yorkshire Council as set out in this report.

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11 July 2022

EXISTING COUNCIL TAX REDUCTION SCHEMES

Working Age Scheme	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby
Type of Scheme	Means Tested	Grid	Means Tested	Grid	Grid	Means Tested	Grid
Grid Levels	N/A	90/80/60/30	N/A	100/75/50/25	100/75/50/25	N/A	100/75/50/25
Maximum Level of Support for Working Age applicants	90%	90%	100%	100%	100%	87.5%	100%
Dependants Additions (Maximum)	No Limit	2	2	2	2	2	2
Capital Limit	£16,000	£6,000	£16,000	£6,000	£6,000	£16,000	£6,000

EQUALITIES IMPACT ASSESSMENT

Scheme	Old Numbers Non Zero	Old Sum Weekly	Old Yearly Expenditure	Old Avg Weekly Non Zero	New Numbers Non Zero	Diff In Numbers	New Yearly Expenditure	Annual Difference	New Sum Weekly	New Avg Weekly Non Zero	Average Loss / Gain per week
Single	6363	£110,086.26	£5,740,211.96	£17.30	6173	-190	£6,307,515.37	£567,303.41	£120,966.05	£19.60	£2.29
Couple	904	£18,300.51	£954,240.87	£20.24	878	-26	£1,143,311.92	£189,071.05	£21,926.53	£24.97	£4.73
Family +1	2948	£48,992.46	£2,554,606.64	£16.62	2942	-6	£3,250,253.70	£695,647.06	£62,333.63	£21.19	£4.57
Family 2+	3955	£69,674.45	£3,633,024.79	£17.62	3722	-233	£4,091,695.13	£458,670.33	£78,470.87	£21.08	£3.47
Passported	4811	£106,573.25	£5,557,033.61	£22.15	4811	0	£6,032,364.12	£475,330.51	£115,689.17	£24.05	£1.89
Total	18981	£353,626.92	£18,439,117.87	£18.63	18526	-455	£20,825,140.24	£2,386,022.37	£399,386.25	£21.56	£2.93

Group	Old Numbers Non Zero	Old Sum Weekly	Old Yearly Expenditure	Old Avg Weekly Non Zero	New Numbers Non Zero	Diff in Numbers	New Yearly Expenditure	Annual Difference	New Sum Weekly	New Avg Weekly Non Zero	Avg Weekly Difference
Female claimant (E)	11997	£220,940.67	£11,520,477.64	£18.42	11691	-306	£13,216,326.63	£1,695,848.99	£253,463.80	£21.68	£3.26
Disability Premium (BY)	6363	£132,084.78	£6,887,277.61	£20.76	6261	-102	£7,620,043.34	£732,765.73	£146,137.82	£23.34	£2.58
Male claimant (E)	6474	£124,452.61	£6,489,314.46	£19.22	6333	-141	£7,087,546.02	£598,231.56	£135,925.54	£21.46	£2.24
Enhanced Disability Premium (BT)	5530	£115,999.09	£6,048,524.08	£20.98	5440	-90	£6,544,168.20	£495,644.11	£125,504.60	£23.07	£2.09
Severe Disability Premium (CE)	4566	£88,898.67	£4,635,430.50	£19.47	4503	-63	£5,036,399.57	£400,969.06	£96,588.48	£21.45	£1.98
Support Component Applies (LI)	3723	£77,164.32	£4,023,568.01	£20.73	3688	-35	£4,299,474.53	£275,906.52	£82,455.68	£22.36	£1.63
Lone Parent +1 (BK/BM)	2869	£47,990.72	£2,502,373.07	£16.73	2881	12	£3,179,320.32	£676,947.24	£60,973.27	£21.16	£4.44
Lone Parent +2 (BK/BM)	2093	£35,834.98	£1,868,538.17	£17.12	2058	-35	£2,272,124.00	£403,585.83	£43,574.98	£21.17	£4.05
Carers (TZ)	1079	£22,155.73	£1,155,263.18	£20.53	1060	-19	£1,334,005.55	£178,742.37	£25,583.67	£24.14	£3.60

Lone Parent >2 (BK/BM)	905	£16,436.46	£857,044.17	£18.16	853	-52	£914,412.65	£57,368.48	£17,536.68	£20.56	£2.40
Disabled Child (LC)	798	£16,378.07	£853,999.25	£20.52	724	-74	£864,751.93	£10,752.68	£16,584.28	£22.91	£2.38
Couple +1 (BK/BM)	507	£10,229.94	£533,418.41	£20.18	478	-29	£618,954.24	£85,535.83	£11,870.36	£24.83	£4.66
Couple +2 (BK/BM)	514	£10,567.11	£550,999.30	£20.56	462	-52	£580,942.42	£29,943.11	£11,141.36	£24.12	£3.56
Couple >2 (BK/BM)	373	£8,135.76	£424,221.71	£21.81	309	-64	£389,364.98	-£34,856.73	£7,467.27	£24.17	£2.35