

**Council**

3 February 2022

**Agenda Item 66**

Brighton &amp; Hove City Council

<b>Subject:</b>	<b>Council Tax Reduction Scheme Review 2022/23</b>		
<b>Date of Meeting:</b>	<b>3 February 2022</b> 2 December 2021 – Policy & Resources Committee		
<b>Report of:</b>	<b>Acting Chief Finance Officer</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Paul Ross-Dale</b>	<b>Tel: 01273 29</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The local Council Tax Reduction Scheme helps thousands of households on low incomes to pay their Council Tax by providing a discount to their tax liability. The Council is required to review its working age Council Tax Reduction scheme on an annual basis and form a view as to whether changes should be made. There are opportunities to improve the scheme, including the level of support available to claimants, but this must obviously be balanced with the financial cost and affordability of any changes to the scheme.
- 1.2 Where changes are proposed, there is a legislative requirement which stipulates that councils must undertake appropriate and proportionate consultation with their residents and local taxpayers.
- 1.3 This report summarises the case for making fundamental changes to the scheme and sets out recommendations for a revised scheme to be introduced from 1 April 2022 including the outcome of consultation which the Committee must take into consideration in making any recommendations.

**2. RECOMMENDATIONS:**

That the Policy & Resources Committee recommends to Council that:

- 2.1 The Council agree to introduce a revised Council Tax Reduction scheme based on earnings brackets for working age Universal Credit claimants.
- 2.2 Council Tax Reduction claimants who are not recipients of Universal Credit should remain on the existing Council Tax Reduction scheme.
- 2.3 The fund for Discretionary Council Tax Reduction be set to £200,000 in 2022/23.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 Legislation requires Local Authorities to design and administer their own local Council Tax Support scheme for working age residents. To date, the Brighton and Hove Council Tax Reduction Scheme (CTR) has been based primarily on

the previous government Council Tax Benefit regime, a means-tested scheme that was superseded by the local CTR scheme in 2013.

- 3.2 For Pensioners, the local CTR scheme continues to follow the same means-tested rules as Council Tax Benefit as this part of the scheme cannot be altered by local authorities.
- 3.3 Whilst changes have been made to the working age CTR scheme over the years, the core assessment principles have remained the same. Entitlement is based on an assessment of income and savings, taking into account the household makeup and assumed living costs.
- 3.4 In December 2019, a Green Group amendment to the CTR review report called for a report on options to improve the support provided by the CTR scheme, and align it with changes in the overall Welfare system. The advent of the pandemic meant that this options review could not be undertaken for the 2021/22 scheme, however, the 2022/23 scheme review addresses this requirement and considers potential options. In particular, the review considers a move to an earnings related assessment which is aligned with the Universal Credit welfare benefit assessment.

### Potential Earnings Brackets Scheme

- 3.5 Instead of gathering detailed information from a resident about their circumstances, household and income, an Earnings Brackets scheme looks purely at a person's net earnings, as set out on their Universal Credit claim.
- 3.6 Earnings refers to money earned from employment, whereas income is total money received, including from earnings, benefits and pensions, and so on. An Earnings Bracket scheme is based purely on net earnings, not other income.
- 3.7 To optimise the value and spread of discounts as far as practicable, the following earnings brackets are suggested following consultation with key stakeholders and money advice partners:

Level	Weekly Earnings from...	...to	Proportion of Council Tax bill payable	Proportion of Council Tax bill discounted (i.e. not payable)
1	0.00	69.99	18%	82%
2	70.00	£99.99	40%	60%
3	£100.00	£129.99	60%	40%
4	£130.00	£169.99	80%	20%
5	£170.00	£249.99	90%	10%
6	£250.00	-	100% (i.e. no CTR awarded)	No discount, not eligible for CTR

## **Why Change to an Earnings Bracket CTR Scheme?**

- 3.8 From a resident's point of view, the current Council Tax Reduction scheme can cause confusion and difficulty, because it is now out of step with Universal Credit assessment.
- 3.9 Universal Credit (UC) is assessed by the Department of Work and Pensions (DWP) and it adapts and changes each month, according to a household's earnings. This can result in a different amount of Universal Credit being paid each month. Each time UC changes, the DWP notifies the council, and officers then check to see whether the changed income affects CTR eligibility. The CTR is reassessed if necessary, and a new Council Tax bill is sent.
- 3.10 This can mean that new Council Tax bills are sent monthly, leading to confusion as to how much a household is expected to pay towards their Council Tax. A further problem is that constantly renewed bills means that where a household is falling behind, the triggering of reminders is continually deferred. This can lead to the household building up arrears month on month because they will not receive reminders for some time. This is unhelpful as avoiding arrears build up is critical for people on low incomes and is known to help financial planning and stability.
- 3.11 All of the above combines so that there is a lack of transparency in Council Tax Reduction, and the erratic nature of the entitlement and billing cycle makes it harder for households to budget for.

## **Broadening Eligibility**

- 3.12 Another issue with the current scheme is that earnings have to be very low in order to qualify for even the smallest amount of help. Although the amount can vary depending on circumstances, the cut off is generally £8,000 per annum, or £175.00 per week. This results in many applicants not qualifying for help, even though they are still on a low income.
- 3.13 Feedback from previous consultations, alongside case studies of CTR, and feedback from other sources and partners, suggests that households who are "just about managing" need more support. These are households who are close to qualifying for primary benefits, like UC or Housing Benefit, or CTR, but miss out because they are just above the income thresholds. However, there is evidence that many people in this situation are finding themselves in great financial difficulty because of their debt, employment and housing situations. This often makes them as vulnerable, or in some cases more vulnerable, than households who receive help from benefits.
- 3.14 Until the 2021 Spending Review, the government had been reducing local government core funding year on year since 2010/11, which means that government support for local CTR schemes has been reducing. In addition, the funding for the administration of Housing Benefit, which will eventually be phased out as more people move to UC, is also reducing. However, the administration involved in keeping claims up to date is actually increasing while funding reduces. This is because when a household is on Universal Credit, the DWP sends the council notifications every month to advise that their entitlement has

changed. Council officers then have to administer any knock-on changes to the CTR entitlement. Non UC claimants tend to have far fewer changes and usually less frequently than monthly, so this means that the more people there are on UC, the more administration is involved in keeping claims up to date. This is not sustainable in the longer term with current admin budgets and resources.

3.15 The proposal covers only those who are on Universal Credit. If a household is still on a legacy benefit, such as Housing Benefit, and has not yet moved over to Universal Credit, they should remain on the current CTR scheme. This is because the CTR claims for this group tend to be more stable and less prone to monthly change. It also means that there will be a natural transition of the caseload from one scheme to the other, in line with the eventual migration of remaining legacy benefits onto Universal Credit. It is expected that by April 2022, around 50% of the CTR working age caseload will be on UC.

3.16 The expected advantages and benefits of the new UC CTR scheme include:

- (i) It will be simpler to understand;
- (ii) It will be more generous to families with children, including lone parent families, and in particular low income, working households;
- (iii) More households will be entitled to it. Generally, households will be able to earn up to £250 per week before they stop being entitled to CTR, equivalent to earning the 2021 minimum wage for 35 hours a week;
- (iv) Changes to CTR only happen when a band is jumped, meaning that the amount of Council Tax left to pay will not change so frequently;
- (v) Fewer Council Tax bills will be sent, resulting in more clarity and greater ability to plan household budgets. It will also mean that debt situations will be visible sooner, which in turn means that signposting and referral to support and debt advice can be provided sooner.

### **Options for the Non-Dependant Deduction**

3.17 A non-dependant is an adult who lives in the household, but is not a partner or a teenager, and is still dependent – for example, because they are in education. It could be for example, an adult son or daughter who is working or unemployed and who still lives with their parents.

3.18 In the current CTR scheme, non-dependants are expected to contribute to the council tax bill, so a “non-dependant deduction” is made from the amount of discount awarded. However, the amount of deduction made depends on the non-dependant’s situation. For example, if they are working, and earn £300 per week, the deduction from the weekly CTR would be £14.90 according to the following table:

<b>Non-Dependent Deduction (Weekly)</b>	<b>Income bracket (Weekly Income)</b>
£7.40	Up to £202.85
£14.90	£202.85 to £351.64
£18.80	£351.65 to £436.89
£22.50	More than £436.90

- 3.19 The proposal is to remove these income brackets from the proposed banded CTR scheme and to set the deduction to a single figure of £8.00 for any level of income. This would simplify the scheme further and sets the deduction toward the lower end of the current scale. Setting the non-dependant deduction at £8.00 is incorporated into the estimated cost of the proposed scheme. The legacy scheme rules for Non-Dependents would remain unchanged.

### **Possible adverse impacts of the proposed new scheme**

- 3.20 Analysis has been undertaken about the impact of the new scheme on households, and whether any would be financially worse off. The analysis suggests that of the cases that would move over to the new scheme (around 6,300), 80% would see no change to their entitlement. 15% would be better off. 5% would be worse off (approximately 315 cases).
- 3.21 Around half of the 5% group lose less than £2 per week and two thirds lose less than £3. Around 60 cases from the overall working age caseload of around 12,000 would lose out by more than £5.
- 3.22 The analysis also revealed that there would be a significant amount of financial mobility in the 5% group, due to their fluctuating income. Over the course of two months, half of this group are no longer likely to be comparatively worse off, as they will have moved into other earnings brackets that result in higher CTR.
- 3.23 Very few households with dependents are affected adversely. Analysis suggests only 4, although it should be noted that these are indicative and the household circumstances may have changed by April 2022.
- 3.24 In terms of how the 5% group is made up, broadly speaking, it would be working claimants with higher Council Tax liabilities. Couples tend to feature in the 5% group more than single claimants.
- 3.25 One group of customers who do appear to feature in the 5% group are some of those who are already affected by the Benefit Cap. This is where a household's overall income, including benefits, exceeds £258 per week (single people) or £385 (couples), and the government reduces their benefits so that they do not receive more than the cap. Many of these households already receive Discretionary Council Tax Reduction in addition to their main CTR award, dependent on certain conditions. It is likely that the discretionary help would continue where appropriate, and so the impact may not be substantial. These families will also already be within the purview of support and advice services who will be working with them to help them improve their financial sustainability and/or housing situation.

- 3.26 The council can establish transitional protection in situations where changes to the CTR scheme may have a negative impact. However, the impact in these examples is limited to a relatively small proportion of the caseload, and the duration of the impact is likely to be short. It would not be proportionate to set up transitional rules and more complexity in the system for this small number of cases. Instead, the preferred option is to use the Discretionary Council Tax Reduction budget in individual cases and in situations where they present to the council in hardship.

### **Discretionary Council Tax Reduction**

- 3.27 Discretionary Council Tax Reduction (DCTR) can be awarded on top of the main CTR entitlement. The DCTR fund is intended to cover situations where households are experiencing more extreme hardship and need extra assistance in addition to their CTR. It can be used to top up the DCTR award partially, or up to 100%, leaving no Council Tax to pay.
- 3.28 DCTR is also used to mitigate individual cases of hardship caused by changes to the CTR scheme. Whilst analysis suggests that such negative impacts will be minimal, applications can be looked at on a case by case basis.
- 3.29 For 2021/22, the budget for DCTR was set by the council at £0.200m. Demand for extra assistance has been strong this year and it is anticipated that DCTR awards will exceed the budget. However, extra DCTR funding has been allocated as part of the Household Support Fund, which has been given to the Local Authority by the government to support vulnerable residents over the winter. It is unknown how the pandemic and other economic factors will drive demand for DCTR next year, but it is recommended that the budget for 2022/23 is maintained at £0.200m.

## **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 One of the main alternative options would be to leave the scheme as it currently stands, and not introduce an earnings bracket scheme. The scheme could be left the same, or it could be tweaked within the existing parameters to become more supportive. However, with UC numbers increasing all the time, retaining the same scheme will eventually become unworkable. More and more Local Authorities are now moving to banding / earnings brackets schemes for this reason.
- 4.2 There are a number of different possible variations in how an earnings bracket scheme could be set up. The gaps between the brackets could be changed, and so could the discounts in each bracket. However, the proposed brackets are designed to strike a balance between simplicity and responsiveness to people's changing circumstances.
- 4.3 The brackets could have been set so that the cost of the scheme remained neutral compared to the current scheme. However, this is not consistent with the intention of the member amendment which required officers to look at options to improve the level of support provided by the scheme. The cost of the scheme is important in the context of the council's overall finances but there were also severe practical limitations in being able to achieve cost neutrality. This is

because most people on CTR (over 90%) currently receive the full possible discount, i.e. 82% reduction. To maintain all of those people on the equivalent amount of discount, it means there would only be sufficient budget to provide a 20% to 30% discount to all other claimants. This would not provide effective support for low earners.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 A public consultation was held from 7 September 2021 to 18 October 2021. 278 responses were received, following a news story at launch and an email mailshot to 15,000 residents in the city. The email targeted a random sample of residents, including a mixture of those claiming CTR and those who did not. The Community and Voluntary Sector were also consulted in special briefings, as were Revenues and Benefits staff, who are responsible for administering the scheme and have a good insight to customers views and experience.
- 5.2 Three open consultation sessions were set up for the Voluntary Sector. Feedback was positive, and encapsulated in some of the points raised by the resultant response from the Moneyworks and Advice Matters partnerships. It was felt that the earnings bracket approach was much better for clients, as advisors themselves found it difficult to predict if their client would be successful on the old scheme.
- 5.3 The Moneyworks/Advice Matters partnership also fed back about the detail of the bandings, suggesting that the first two bands in the original proposals should be merged to create a larger band that could earn up to £69.99. This feedback has been accepted and the bandings have been adjusted accordingly in the recommendations of this report. The partnership also highlighted how it might be possible for some clients to inadvertently jump two bands on just a £20 change in weekly earnings because those particular bandings (3 to 5) were too close together. This feedback was also accepted, and the £100.00 to £119.99 band was altered to be £100.00 - £129.99 to avoid this scenario.
- 5.4 It was also highlighted by the partnership that in other areas of benefit administration (outside of CTR), a person's age can often result in them falling into a bracket where they receive less benefit. The partnerships therefore recommended that there should be an additional discount for young people. This has been considered, but it would add in a further complexity to the scheme and create a specific cohort of vulnerability when many other equivalent cohorts could also require support. This could be revisited for subsequent reviews of the scheme when the experience of operating an earnings banding scheme, if approved, can also be taken on board.
- 5.5 On the point of Non-Dependant Deductions, the CAB recommended removing the deduction entirely. Alternatively, were this not possible, a further recommendation was to consider disregarding income for Under 25's. Whilst this has been given consideration, the additional change will not be practicable for the forthcoming year, as the measure would result in significant additional extra cost to the scheme, and the council must balance competing funding priorities for local services.

- 5.6 In the public consultation, conducted by survey on the council’s Consultation Portal, there was strong support for the measures. 62% agreed with the principle of aligning CTR more closely with UC, compared with 19% disagreeing. 66% agreed / tended to agree with the proposal of introducing an earnings bracket scheme, with 20% disagreeing. There was even stronger support on the question of whether the scheme should be made more supportive, with 74% either strongly agreeing or tending to agree.
- 5.7 The detail of the scheme was supported but with a more mixed range of views. When asked “how much do you agree or disagree with the proposed earnings brackets?”, 48% agreed/tended to agree, whilst 31% disagreed/tended to disagree.
- 5.8 On the question of Non-Dependants, 70% agreed that the rules should be simplified, with only 13% disagreeing. 36% felt that the proposed £8 non dependant deduction was set at a fair amount, with a further 10% feeling that it should be less than £8, and 18% saying that it should be removed altogether. In contrast, a minority of 24% felt that the amount should be higher.
- 5.9 The Police and Crime Commission and Fire Authority were also consulted. The Fire Authority did not support the proposals. Their full response is incorporated into Appendix 1, but a summary is included below:

*Council Tax is our most important funding stream (70% in 2021/22). The Authority will need to take account of any further reduction in the council taxbase on its income when considering options for achieving a balanced budget for 2022/23 and beyond. Given the scale of the financial challenge, which cannot be met by efficiencies alone, this may mean that the Authority has to revisit its Integrated Risk Management Plan 2020-25 and consider further changes to the service it provides across the communities of East Sussex and Brighton & Hove, including those who are most vulnerable.*

- 5.10 The Police and Crime Commissioner (PCC) is currently considering the proposals and a further discussion was held on 17 November between the PCC’s Chief Finance Officer and the council’s Revenues & Benefits service. The PCC’s official response was not received in time for the release of this report, but is imminent and the Policy & Resources Committee will be updated verbally with details of the PCC’s feedback.

## 6. CONCLUSION

- 6.1 The proposed new UC CTR scheme would enable the council to modernise its approach to Council Tax Support in a way that is complementary to the workings of Universal Credit. The proposals will also mean that more households will be supported with CTR than at present.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 Changes to the CTR scheme affect the Council Tax base and the estimated income from Council Tax overall, as well as the income generated within

Brighton and Hove for Sussex Police, and East Sussex Fire & Rescue Service (the precepting authorities). The Council Tax Base is agreed each year in January in advance of setting the budget in February.

- 7.2 The financial cost of any changes to the scheme is also dependant on the number of working age claimants. Since March 2020, the impact of the pandemic resulted in an increase of 15.6% in working age claimants, peaking in June 2021. The number of claimants has been falling since June and it is projected this will continue.
- 7.3 The proposed changes to the CTR scheme are estimated to cost £0.390m of which the council's share is £0.331m with the remainder impacting the precepting authorities. This will be reflected in the Council Tax base report in January 2022. For information, the forecast cost of the overall scheme (i.e. value of discounts for both pensioners and working age) in 2021/22 is £20.129m of which the council's share is £17.109m. The proposals will increase the cost as stated together with any approved Council Tax increase, however, there will be some offset from the expected reduction in working age claimant numbers compared to the current year for which final estimates will be developed for the Tax Base report to the January Policy & Resources Committee.
- 7.4 To provide a discretionary fund of £0.200m will require a commitment to identify £0.190m one-off resources for the 2022/23 budget.
- 7.5 The changes to the scheme will support more efficient administration allowing the service to reduce costs and offset, in part, the annual reductions in government grant funding for administration and meet the budget savings target of £0.250m deferred from 2021/22 due to the exceptionally high demands placed on the service by the pandemic.

*Finance Officer Consulted: James Hengeveld*

*Date: 10/11/2021*

Legal Implications:

- 7.6 Paragraph 5 of Schedule 1A of the Local Government Finance Act 1992 requires a billing authority, such as the council, to consider each financial year whether to revise its Council Tax Reduction Scheme or to replace it. Any such scheme must be made before 11 March in the financial year preceding that for which the revised scheme takes effect. Major precepting authorities and such other persons as the council considers are likely to have an interest in the operation of the scheme must be consulted where a new or revised scheme is proposed. The consultation measures set out in section 5 of the report satisfy the legislative requirements.
- 7.7. Under Part 3 of the council's constitution, and section 67(2) (aa) of the 1992 Act, the making of a revised CTR scheme is reserved to full council. Under Part 6 of the constitution, the Executive Director of Finance & Resources has, subject to any general guidance or limitation imposed by the relevant Committee, delegated power to exercise the council's functions regarding the Council Tax Reduction scheme. Any changes to the scheme, such as an increase in the calculative elements of the scheme, prescribed by national legislation will be made under delegated powers.

*Lawyer Consulted:*

*Name Liz Woodley*

*Date: 15/11/2021*

### Equalities Implications:

- 7.8 An equalities impact assessment has been carried out and is included at Appendix 2.
- 7.9 The proposed new UC scheme represents an expansion of support, as it brings more households into CTR entitlement. It also removes some of the limitations and complexities introduced in previous years of the CTR scheme. This is likely to have a positive impact on protected characteristics generally. There are also some additional benefits for most of the protected characteristics in making the scheme more transparent and easier to understand.
- 7.10 One identified impact is potentially on Benefit Cap households, as outlined in the main body of the report. However, the impact would be on a small proportion of that caseload, and CTR is likely to be supplemented with additional Discretionary CTR, as is the case now for these cases.

### Sustainability Implications:

- 7.11 There are no sustainability implications.

### Any Other Significant Implications:

### Public Health Implications:

- 7.12 Financial vulnerability is linked to poor mental health, and in some cases worsening physical health. Any measures that improve the financial situation for a cross-section of the population are likely to result in some measure of improvement in terms of public health.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

- 1. Consultation Report
- 2. Equalities Impact Assessment

### **Background Documents**

- 1. None