

## Wiltshire Council

**Cabinet**  
**19 November 2019**

**Full Council,**  
**26 November 2019**

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**Subject: Proposals to amend the Council Tax Reduction Scheme (Post Consultation) 2020**

**Cabinet Member: Cllr Simon Jacobs Cabinet Member for Finance and Procurement**

**Key Decision: Key**

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### **Executive Summary**

Proposals to change Wiltshire Council's Council Tax Reduction Scheme were circulated in July 2019. The report was the result of concerns raised about the sensitivity of the current scheme, the frequent changes to entitlement and the recalculation of a household's council tax bill following the report of a minor or relatively low change in income.

Three proposals were subject to consultation which began in August 2019: The proposals were based on a simplified way of determining entitlement to council tax reduction (CTR).

Following consultation and detailed conversations with Citizens Advice and other welfare groups, it became apparent that introducing these changes would fail to achieve the intentions of simplifying the scheme whilst maintaining existing levels of financial support. Detailed scenario testing and consultation demonstrated that the proposals would, in many cases, fail to offer the levels of financial support and protection offered by the current scheme.

The proposal to reduce uncertainty and frequent recalculation were however, commended. In recognition of this need, this report proposes a relatively simple solution to the existing scheme whereby changes in a household's income, which would alter weekly entitlement to CTR by less than £7.00 per week, either up or down, would be ignored, rather than the £1.00 level built into the existing scheme, known as the *de-minimus* level.

If accepted this approach would limit the number of changes to entitlement, offer a greater level of certainty for those in receipt of CTR and continue to protect low-income households from increases in council tax. It would also reduce the costs of administering the scheme, in terms of reducing the number of changes and therefore the number of bills issued per year.

**Proposal(s)**

Following consultation and testing the proposed changes to the Council Tax Reduction scheme originally presented to Council in July 2019 have been reviewed and reduced to one proposal.

Cabinet is asked to recommend Council to agree this change to the Council Tax Reduction scheme as set out at section in the conclusion of this report. If agreed the change will take effect from April 2020.

**Reason for Proposal(s)**

It is an annual requirement for the council to review its local CTR scheme and make recommendations for change as required. Since its introduction in April 2013, the scheme has been subject to minor amendment but the core elements have been retained. However, in the last 24 months there have been significant increases in the number of households in receipt of Universal Credit (Full Service). For the purposes of assessing entitlement to CTR, Wiltshire Council treats Universal Credit (UC) as an income. The Department of Work and Pensions notifies the council when there is any change to a household's entitlement to UC. Typically, the council is sent 5,000 notifications per month. These are sent directly to the Council, by the Department of work and Pensions and contain information they have gathered from a variety of sources, including HMRC. The CTR scheme was not designed to accommodate this level of information. It is too sensitive to minor changes in monthly entitlement, which trigger reassessment of claims and recalculation of council tax bills. It was felt that without intervention, the current scheme would cause significant confusion for the customer, increase the risk of indebtedness and increase the costs of administering the collection of council tax.

**Deborah Hindson (Associate Director, Finance and Procurement)**

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### **Purpose of Report**

1. To seek agreement on proposals to make changes to the Council Tax Reduction Scheme (CTR) with effect from April 2020.

### **Relevance to the Council's Business Plan**

2. The CTR scheme is a means tested benefit, and supports the Council's business plan by offering financial support through a reduction in council tax to low income households. It is a local benefit, which works in conjunction with other national benefits, which determines the level of council tax reduction offered to some of the most vulnerable in our communities.

### **Background**

- 3.1 The CTR scheme in Wiltshire is a means tested benefit that currently provides financial support to 25,000 households on a low income, at a current annual cost of £25 million. Entitlement to CTR is calculated after other discounts like the single person's discount have been awarded. Entitlement results in the reduction of a claimant's Council Tax. The current scheme replaced the national Council Tax Benefit scheme in April 2013. Until 2013 the scheme was fully funded by government.
- 3.2 The CTR scheme for working age customers is a local scheme and varies in design between local authorities. Rules governing the scheme demand consultation on changes to the scheme adding a complexity to a process which is already subject to complex rules and regulations. For pension-age households the scheme is set nationally by Central Government and prescribed by regulations, so cannot be varied locally. The proposed change will only affect working age households and support those whose income, be it wages, universal credit or tax credit, may be subject to minor fluctuations, where currently notification results in the adjustment of their council tax bill.

## Main Considerations for the Council

4.1 In designing its current scheme, the council conducted an extensive programme of consultation with its precepting authorities, key stakeholders and the public. The working age scheme adopted by the council in 2013 retained the main elements of the former Council Tax Benefit scheme with the following exceptions:

- All working recipients unless classified as protected (see bullet point below) are required to pay at least 20% of their Council Tax liability.
- Certain protected groups can receive up to 100% of their Council Tax. Protected groups include people in receipt of the Support Component of Employment Support Allowance (ESA) and all those who qualify for the disability premium or people in receipt of a war disablement pension, or in receipt of any of the war widows' or widowers' pensions
- Those who do not fall into a protected group are subject to a means test
- Capital savings limit of £10,000. – Protected groups limit of £16,000.
- Fixed rate non dependant deduction – In households where there are working age children and relatives (non-dependants), a fixed rate deduction is made from the CTR award.
- Enhanced income allowance (taper) to encourage work.
- A *de-minimus* sum whereby income changes affecting weekly entitlement by less than £1.00 would be ignored\*.
- A vulnerability/hardship fund to provide additional financial help.

4.2 Retaining the core elements of the old Council Tax Benefit scheme albeit with the exceptions outlined above has preserved the means test in its current form, which provides both a robust mechanism for determining entitlement and both protection and work incentives that have been developed and honed over almost 30 years. However, the means test is proving too sensitive to relatively small changes in income that in turn are causing the recalculation of council tax bills. It was hoped that introducing an income table would better accommodate small variations in income and prevent the recalculation of the CTR claim but the scheme and the systems used to calculate income are currently unable to differentiate between income and housing costs, which are included within the universal credit award.

4.3 Whilst the overall response to the consultation was limited, engagement with the voluntary sector was decisive in rethinking the scheme for 2020-21. The consultation revealed major concerns, that the current scheme was too sensitive and, that although simplifying the scheme was

welcomed, the proposal for an income table would not support individuals on the lowest income.

- 4.4 As a result of the consultation the proposals were honed down to one. It has been calculated that by changing the de-minimus level\* from £1.00 per week to £7.00 per week would have the same effect as allowing a variation in income by as much as £50.00 per week before any alteration is made to a household's entitlement. By introducing this change alone, would mean that current levels of entitlement are maintained. It would also reduce uncertainty for the customer and reduce the number of times a claim is recalculated, unless of course there are significant changes in income

### **Overview and Scrutiny Engagement**

5. The Financial Planning Task Group considered the proposed changes to the Scheme brought about in July. It supported the rationale of amending the Scheme to reduce the frequency of allowance re-calculations, without disadvantaging those receiving benefits.

### **Safeguarding Implications**

6. There are no safe guarding implications.

### **Public Health Implications**

7. There are no Public Health implications.

### **Procurement Implications**

8. There are no procurement implications.

### **Equalities Impact of the Proposal**

9. **Section 4 taken from the Equality Analysis prepared for this report.**
- In order to claim council tax reduction a claim must be made providing details of the household make-up ,income, savings, family, children age, sex and similar details of anyone living in the property.
  - The application process captures a range of personal details, including ethnicity.
  - In order to claim evidence has to be provided of entitlement to other benefits that may be linked to a disability or someone within the household with a disability.
  - Details of the claim are then stored on bespoke software enabling analysis in a

number of ways. Claims may be analysed at a parish level or by age or sex of the claimant or by the number of children in the household or by postcode.

- Claims are also determined as working age claimants and those of pensionable age as different rules apply, depending on age or the nature of their employment, whether self-employed or not.
- Claims are subject to frequent review and notification of change, from a variety of sources including the claimant, their employer, their landlord, the DWP etc
- The caseload is managed and reports shared with the Department of work and Pensions.
- Where changes are necessary to any council tax reduction scheme then the council must instigate a consultation process to gather the views of a range of stakeholders. The latest consultation process took place in August 2019.

### **Section 5 of the Equality Analysis states:**

- The Council tax Reduction Schemes operated by the council to support those on a low income are complex and difficult to understand.
- Proposals to simplify the scheme were welcomed as part of the consultation conducted with stakeholders however through scenario testing, it transpires that the approach may leave a significant number of household worse off.
- It was felt that the benefits of simplifying the scheme were outweighed by the potential reduction in council tax that some households would face if an income table were introduced and the nature of the change may in fact increase speculative claims from those who may be on the margins of qualification. This would lead to a possible rise in the costs of administering the scheme that the original proposal had hoped to reduce.
- The scheme already supports those of pensionable age to a greater degree than those of working age and those in protected groups but concern was also raised that those households with more children and a higher theoretical income, including the childcare element of universal credit, would be detrimentally affected by the proposed changes.
- On this basis it was felt that the proposals to change the scheme were not wholly equitable based on the current method of determining a household income.
- An alternative arrangement has been provided to promote greater equality, determining entitlement to CTR to better accommodate all those of working age, but particularly those whose income varies.
- The report now proposes that a rise in the level at which changes of income are incorporated and impact upon a claim, a change which can accommodate a variation in income of up to £50.00 per week.
- The scheme is subject to regular review and if the proposals are agreed, but do not deliver a reduction in the number of changes, then the scheme will be subject to further revision in 2020-21

## **Environmental and Climate Change Considerations**

- 10 Whilst the overall impact is low the ambition of this proposal is to reduce the number of changes made to a household's council tax account. If the proposal is accepted then it is anticipated there could be 20,000 less bills and explanatory notes printed and posted per annum. This will reduce the use of raw materials as well as costs for the service and hopefully reduce overall demand on the Revenues and Benefits Department.

### **Risks that may arise if the proposed decision and related work is not taken**

- 11 The decision not to introduce an income table means that the scheme will remain a complex means test. Whilst an opportunity to simplify the scheme has been missed, the greater concern was that any fall in CTR could lead to a rise in non-payment. Whilst overall indebtedness to the council has risen slightly the main concern is the impact the scheme in its current format is having on low income households who typically may receive a number of council tax bills a year and are deterred from making payment. The rescheduling of instalments in households with limited financial resilience is generating concerns and frustrations for customers, generating a range of issues for Citizens Advice and other welfare support groups as well as the Council staff. (Between April and September 2019, 28,000 changes in UC entitlement alone, were reported to Wiltshire Council.)

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

- 12 Offering a greater tolerance in terms of disregarding some income may mean that the levels of Council Tax Reduction may rise, however the proposal works both in favour and to the detriment of the customer if their income should fall by less than £50.00. Overall the cost of this proposal should be neutral in terms of the overall amount of CTR awarded. The scheme is far more dependent upon the inflationary rise in council tax and caseload numbers rather than changes in income levels. There should however be a reduction in administration costs with a fall in the number of bills and adjustment notices issued and in levels of contact with those in receipt of another amended bill. If the proposal fails to reduce the number of changes made to claims a new scheme will be presented for financial 2021-22.

The discretionary council tax reduction scheme, which is a cash limited fund, provides an opportunity to reduce a council tax debt in conjunction with means testing, where a debt has become unmanageable or where the individual is known to have a number of debts with the authority.

## **Financial Implications**

13. Since the introduction of the CTR scheme in 2013/14 funding has been included within the Revenue Support Grant, which has been reducing year

on year. The following table provides a summary of expenditure and caseload since the Local Council Tax Reduction scheme was introduced:

Financial Year	Net Debit £, 000s	Collection Rate %	Households in receipt of Council tax Reduction caseload @ 31 <sup>st</sup> March	Total annual expenditure on CTR
2013/14	255,989	97.76	29,497	£24,827,475
2014/15	262,876	97.80	28,237	£23,881,277
2015/16	268,608	97.89	27,078	£22,992,642
2016/17	286,283	98.06	26,499	£23,244,470
2017/18	305,228	97.89	25,091	£23,058,926
2018/19	329,388	97.81	24,619	£24,918,446
2019/20	347,072	Not known	25,015 (est)	£25,000,000(est)

The above table illustrates the number of households receiving CTR has fallen since the introduction of the scheme, but the fall has levelled during 2019/20. Over the same period, the number of dwellings subject to council tax have increased from 205,000 in 2013 to the current level of 221,300.

Currently households in receipt of CTR owe £3.4million and it could be argued that the scheme in its current form is making the collection process more difficult.

The impact of the change on the overall cost of the scheme is difficult to model as the change accommodates both increases and decreases in income. On this basis the tax base used to set the council tax charges next year have not been adjusted to reflect any additional costs or savings from the CTR scheme. Any excessive variation in terms of the overall CTR awarded will mean the scheme will need revisiting again the following year.

## Legal Implications

14. The council have a duty to operate a council tax reduction scheme. Since 2013 the onus has been placed on every local authority to not only design and publish a scheme but also to maintain the scheme in conjunction with other national welfare benefits. The proposed changes which historically would have been instigated by an instruction from Government are now made more complex. The challenge for the authority is not so much that the proposals have significant legal implications, the implications are whether the change mechanism has been correctly followed. The production of this report and the consultation process ensures that all legal implications have been mitigated.

## Workforce Implications

15. None

## Options Considered

16. The options considered were:

- To replace the means test and introduce an income table for working age claimants.
- To disregard (not take into consideration) the first £50.00 of any earned income, per household, per week
- To disregard approximately half of any Carers allowance

The consultation process raised concerns from both Citizens Advice and those wholly reliant on UC that they would be significantly worse off if the income table replaced the current means test. Scenario testing supported this view as their housing costs, specifically those housing costs awarded as part of a Universal Credit payment would be treated as income. Analysis revealed that many single resident households who currently qualify for an 80% reduction would only qualify for a 60% reduction if the council were minded to introduce an income table.

The proposal to disregard the first £50.00 any earned income was well received however to ensure that existing levels of CTR were awarded to some households under the income table scheme, the income disregarded would have to increase to over £100.00 per week. Consequently the proposal to maintain the existing scheme but adapt the level of *de-minimus* adjustment to the equivalent earning tolerance of £50.00 per week was deemed a sensible compromise. It would maintain existing levels of financial support whilst reducing the number of adjustments made to a claim.

The proposal to disregard around half of any Carers Allowance is built in to the current scheme and so if the main proposal is adopted the current treatment of Carers allowance will remain unchanged.

This proposal will not simplify the administration of the scheme or provide the applicant with a clear indication of their entitlement. It will however reduce the risk of some households receiving numerous bills within the same financial year. It should offer a greater degree of flexibility within the scheme, to encourage work and offer a greater degree of financial certainty for those whose income might be subject to frequent but minor variation.

## Conclusions

17. Following consultation and discussion with welfare support groups it is recommended that Wiltshire Council's CTR scheme is subject to minor amendment rather than extensive change. By raising the *de-minimus* level the scheme will better accommodate minor fluctuation in income. This means that changes of income of up to £50.00 should not cause adjustments in entitlement. Any additional cost or savings will be tracked over 2020/21.

## Deborah Hindson

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## Appendices

Appendix 1: Results of Consultation and comments from interested parties.



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Appendix 2: Equality Analysis

Appendix 3 Wiltshire Citizens Advice CTR Consultation Response