

Policy and Resources Committee

25th July 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Council Tax Reduction Scheme 2018/2019

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Sheila Coburn, Head of Revenues and Benefits
Lead Officer and Report Author	Nita Golding, Benefits Manager
Classification	Public
Wards affected	All

This report makes the following recommendations to this Committee:

1. That the options in section 4 of this report are agreed as the basis for public consultation concerning the Council Tax Reduction Scheme, with the preferred option identified as Option 1.
2. That the potential impact of the changes on working age claimants with the protected characteristics of disability, age and sex, under the Equalities Act (2010) are noted.
3. That the fact that the proposed changes will have no material impact on Council Tax Reduction Scheme customers not in receipt of Universal Credit is noted.
4. That delegated authority is given to the Head of Revenues and Benefits to finalise and commence consultation on the updated Council Tax Reduction Scheme, incorporating these changes, to be implemented for 2018/2019.

This report relates to the following corporate priorities:

- Securing a successful economy for Maidstone Borough – providing an effective scheme supports low income households the meet their financial obligations.

Timetable

Meeting	Date
Policy and Resources Committee	25 th July 2017
Policy and Resources Committee	25 th October 2017
Council	6 th December 2017

Council Tax Reduction Scheme 2018/2019

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to recommend changes to the scheme in readiness for public consultation, and to give delegated authority to the Head of Revenues and Benefits to finalise and commence consultation.
 - 1.2 In amending the scheme for 2018/19 the intention is to mitigate the impact of Universal Credit (UC) on the administration of the Council Tax Reduction Scheme (CTRS), billing and collection of council tax.
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2. INTRODUCTION AND BACKGROUND

- 2.1 The Council Tax Reduction Scheme (CTRS) was introduced in April 2013 as a replacement for Council Tax Benefit (CTB), a national scheme administered on behalf of the Department for Work and Pensions (DWP).
- 2.2 As part of its introduction, Central Government set out a number of key elements:
 - The duty to create and consult on a local scheme for Working Age applicants was placed with Billing Authorities;
 - Funding was initially reduced by the equivalent of 10%, with funding subsequently withdrawn altogether in line with the Revenue Support Grant.
 - Persons of Pension Age, although allowed to apply for CTRS, would be protected from any reduction in support through regulations prescribed by Central Government.
- 2.3 Each year the scheme must be approved by Full Council before 31 January.
- 2.4 Across Kent, a common 'platform' approach was adopted for the design of local schemes, with the new schemes broadly replicating the former CTB scheme but with a basic reduction in entitlement for working age claimants. In Maidstone, working age claimants must pay at least 20% of the council tax liability.
- 2.5 Since its introduction in April 2013, the scheme has been 'refreshed' annually and further changes introduced to ensure that the scheme remains affordable whilst providing support for those most in need.
- 2.6 In amending the scheme for 2018/19 the intention is to mitigate the impact of Universal Credit (UC) on the administration of the CTRS, billing and collection of council tax.

3. Reason for Change

- 3.1 UC has introduced fundamental changes to how the welfare system operates and replaces a number of existing benefits including income

support, job seekers allowance, employment support allowance, working tax credits, child tax credits and housing benefit.

- 3.2 CTRS is administered as a local discount, putting it outside of the welfare system and scope of UC.
 - 3.3 The gradual roll out of UC has meant limited impact locally to date but that will change in August 2018 when the new system will be applied to all new claimants of the above benefits. The transfer of existing claimants onto the new system will be managed over a longer timeframe with full migration to UC not expected for all claimants until 2022 at the earliest.
 - 3.4 A key difference in the way that UC operates is that it uses real time earnings information held by HMRC to calculate UC awards without the need for the customer to report changes. The principle being that UC entitlement goes up and down each month in line with earnings so that claimants receive the right amount of help and are encouraged to do additional work when they can, without fear that their benefits will stop.
 - 3.5 Whilst the frequent change in UC entitlement to mirror earnings provides a benefit to the recipient, it represents a challenge for the administration of the CTRS due to the increase in reported changes through UC and DWP.
 - 3.6 CTRS is calculated as a means tested benefit taking into account the claimants' income and wider circumstances. Earnings are averaged at the start of the claim and reviewed periodically, with the claimant under a duty to report material changes such as an increase in the working hours, someone moving in or out of the property. On average, customers report between 2-4 changes per year.
 - 3.7 Information from councils that are already operating a full UC Service suggest that changes reported through UC and DWP are significantly higher, reflecting the link between monthly earnings and benefit payments, with 11-32 changes reported per customer annually.
 - 3.8 Given the link between the calculation of CTRS and collection of council tax, this could mean customers receiving a new council tax bill every month due to what could be minor variations in their earnings and UC award.
 - 3.9 Its believed that such a situation would provide confusion for customers, limit the effectiveness of the council in recovering unpaid council tax and add further cost to the administration of the CTRS.
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4. AVAILABLE OPTIONS

- 4.1 To address that situation it is proposed that the Council consult regarding the following options:
- 4.2 Option 1 - apply a fixed income period to avoid multiple changes - This option will enable the council to calculate or recalculate a person's entitlement through the CTRS every 6 months. There may be exceptions to this timeframe if there is a significant change in the household or income.

Customers will still have a responsibility to report changes in their circumstances, such as a partner moving in or a change in employer. Currently, every change to a person's income or capital will potentially generate a change in their CTR leading to changes in their council tax instalments.

By fixing the assessment period, this will avoid multiple changes, be less confusing, avoid the constant recalculation of council tax instalments and aid administration.

- 4.3 Option 2 – apply a tolerance to avoid multiple changes – This option will enable the authority to recalculate a person's entitlement to CTR where the change would result in alterations of entitlement of greater than / less than a set amount. This could be set at around £3 per week difference in award (approx. £15 per week income). Currently, every change to a person's income or capital will potentially generate a change in their council tax reduction leading to a change in their council tax instalments
- 4.4 Option 3 – not applying any changes received from the DWP – This option would continue with the existing scheme operated by the council but changes in UC notified by the DWP would not be actioned automatically. Changes would only be actioned if reported by the claimant.

The result of this approach would be to significantly reduce the number of changes undertaken but it would place the onus on the applicant to notify the council of changes (this is already a duty imposed under the existing scheme). The council would need to decide when to apply beneficial/non-beneficial changes and whether non reported changes should be subject to a penalty.

- 4.5 Further information regarding the pros and cons of each option is provided as appendix A.

5 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 5.1 It is proposed that for the purpose of the consultation Option 1 is identified as the Council's preferred change for the following reasons.

It can be easily understood by those affected
It provides stability around council tax to be paid, supporting budgeting
It enables work and resources to be effectively planned and managed

- 5.2 The outcome of the consultation will be taken into account in making a final recommendation to Committee in October.

6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The service plans to consult with key stakeholders to include voluntary sector, registered social landlords and a representative group of benefit claimants.

- 6.2 The consultation will be open for a minimum of 6 weeks and be promoted online and through the Maidstone Link.
- 6.3 The results of the consultation and final recommendation will be presented to Policy and Resources Committee in October 2017.

7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The final decision regarding changes to the scheme will be notified to households affected and key stakeholders.

8 CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Securing a successful economy for Maidstone Borough – providing an effective scheme supports low income households the meet their financial obligations.	Nita Golding Benefits Manager
Risk Management	Implementing change before the full roll out of UC will provide opportunity to evaluate the impact of the mitigation before significant numbers of households are affected.	Nita Golding Benefits Manager
Financial	The cost of CTRS impacts on the council tax base and thereby the council tax yield. If the cost of awards were to increase, this would mean the council tax base and overall council tax income would reduce. Any change in cost of the scheme is shared through the collection fund with major preceptors.	Section 151 Officer & Finance Team
Staffing	Should the council not take steps to mitigate the impact of universal credit additional resources would be required to manage the additional	Nita Golding Benefits Manager

	<p>workload.</p> <p>Early projections suggest this could be as much as 3 FTEs.</p>	
Legal	<p>The Local Government Finance Act 1992 requires Council to approve a scheme for 2018/2019 by 31 January 2018.</p> <p>The Act contains a statutory duty to consult on a proposed scheme, with guiding principles for fair consultation set out in case law.</p>	[Legal Team]
Equality Impact Needs Assessment	<p>Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.</p> <p>The options considered in this report could directly impact on end users.</p> <ul style="list-style-type: none"> • The changes proposed within the consultation will continue to maintain a range of additional allowances and income disregards for people with disabilities and carers and apply a consistent percentage reduction to the benefit award for all people of working age. • All options could impact on working age claimants with one or more of the protected characteristics of disability, 	Policy & Information Manager

	<p>age, sex or race, to varying degrees.</p> <ul style="list-style-type: none"> The earlier introduction of an exceptional hardship scheme will provide a means to help mitigate possible impact. <p>In giving delegated authority to the Head of Revenues and Benefits to finalise and commence consultation, members should note that further consideration of the impacts will take place which will include an analysis of the actual impacts of the changes introduced in 2017/2018. Further analysis of the impacts of the proposed changes will be considered and set out in the consultation documents, where appropriate. The findings from the analysis will be presented to Committee in October 2017 along with the consultation results.</p>	
Environmental/Sustainable Development	No impact	Nita Golding Benefits Manager
Community Safety	No impact	Nita Golding Benefits Manager
Human Rights Act	No impact	Nita Golding Benefits Manager
Procurement	No impact	Nita Golding Benefits Manager
Asset Management	No impact	Nita Golding Benefits Manager

9 REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: Report on implications for the introduction of Full Service Universal Credit

10 BACKGROUND PAPERS

None