

**Council Tax Reduction Scheme 2021-22**

<b>Final Decision-Maker</b>	Full Council
<b>Lead Head of Service</b>	Stephen McGinnes, Director Mid Kent Services
<b>Lead Officer and Report Author</b>	Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

Each year Full Council must approve the Council Tax Reduction Scheme for the following year.

Where there are changes proposed, it is necessary for a public consultation to take place.

This report advises the Policy and Resources Committee on the outcome of the Public Consultation together with the recommendation for the Council Tax Reduction Scheme for 2021-22.

**Purpose of Report**

For Policy and Resources Committee to note the findings of the Public Consultation and to consider the 2021-22 Council Tax Reduction Scheme to be recommended to Full Council for implementation from 1 April 2021.

**This report makes the following recommendations to this Committee:**

1. That Policy and Resources Committee notes the outcome of the public consultation
2. That Policy and Resources Committee makes a recommendation to Full Council to implement the 2021-2022 Council Tax Reduction Scheme for the reasons detailed in 4.1
3. That Policy and Resources Committee notes the impact of the proposed changes to the Council Tax Reduction Scheme on people with the protected characteristics of disability, sex and age, as set out in Section 1 and Appendix 2 and weighs up these impacts against any potential savings in the administration of the scheme that may be made by the Council as well as achieving the objective, to maintain costs of award of the scheme in line with the current scheme into 2021/22

<b>Timetable</b>	
<b><i>Meeting</i></b>	<b><i>Date</i></b>
Policy and Resources Committee	25 November 2020
Council	9 December 2020

# Council Tax Reduction Scheme 2021-22

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	Homes and Communities - We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, the council needs to balance the needs of low-income households with the wider interest of local taxpayers to ensure that vulnerable residents are protected whilst providing a scheme that is affordable.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
<b>Cross Cutting Objectives</b>	The report recommendations support the achievement of the Deprivation and Social Mobility cross cutting objective by providing support to low income households.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
<b>Risk Management</b>	The risks associated with implementing and operating the scheme are not considered high. Endorsement of a scheme helps reduce the risk but the overall cost of the CTRS is subject to the risk of household incomes falling, as may be the case if the Covid-19 pandemic leads to an increase in unemployment.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
<b>Financial</b>	The cost of the CTRS impacts on the Council Tax base and thereby the Council Tax yield. If the cost of awards was to increase, this would mean the Council Tax base and overall Council Tax income would reduce. Any change in the cost of the scheme is shared through the collection fund between the Council and preceptors. It is intended that the change to a banded scheme as described in this report would be cost-neutral.	Maxine Mahon, Finance Team
<b>Staffing</b>	We will deliver the recommendations with our current staffing.	Sheila Coburn, Head of Mid Kent Revenues and Benefits
<b>Legal</b>	Section 13A of the Local Government Finance Act 1992 requires the Council to adopt a Council Tax Reduction Scheme. Schedule 1A of the Act requires the Council to consider each financial year whether to revise or replace its scheme.	Keith Trowell, Team Leader (Corporate Governance), MKLS

	<p>The Act contains a statutory duty to consult on a proposed scheme, with guiding principles for fair consultation set out in case law. As there are changes proposed for the 2021-2022 scheme further consultation was necessary.</p> <p>Consideration must be given to the findings of the consultation and equality impact assessment in reaching a decision. At this stage there are no direct consequences arising from the recommendation that adversely affect individual's rights and freedoms as set out in the Human Rights Act 1998. Potentially consequences could arise in the future implementation of the Scheme that would need to be evaluated at the time.</p>	
<b>Privacy and Data Protection</b>	It is recognised the recommendations will impact on what information the Council holds on its residents. Data will be held and processed in accordance with the data protection principles contained in the Data Protection Act 2018.	Policy and Information Team
<b>Equalities</b>	Consideration must be given to our legal obligations. The Performance and Information team has been consulted on the report. A separate Equalities Impact Assessment is required and this is shown in Appendix 6.	Policy & Information Manager
<b>Public Health</b>	We recognise that the recommendations will have a positive impact on population health or that of individuals however the preferred option (2) is less likely to reduce health inequalities as much as option 3 which offers an additional 5% uplift in support given to those in receipt of disability and sickness benefits.	Paul Clarke, Senior Public Health Officer
<b>Crime and Disorder</b>	No impact	Sheila Coburn, Head of Mid Kent Revenues and Benefits
<b>Procurement</b>	No impact	Sheila Coburn, Head of Mid Kent Revenues and Benefits

## **2. INTRODUCTION AND BACKGROUND**

- 2.1 The purpose of this report is to advise on the outcome of the public consultation on proposed changes to the Council Tax Reduction Scheme and make recommendation on the 2021-22 scheme.
- 2.2 In amending the scheme for 2021-22 the intention is to mitigate the impact of Universal Credit (UC) on the administration of the Council Tax Reduction Scheme (CTRS), together with the billing and collection of Council Tax.
- 2.3 Council Tax Reduction (CTR) was introduced by the Department for Communities and Local Government (DCLG) in April 2013 as a replacement for the Council Tax Benefit (CTB) scheme administered on behalf of the Department for Work and Pensions (DWP).
- 2.4 As part of its introduction, Central Government set out a number of key elements:
  - The duty to create a local scheme for working age applicants was placed with billing authorities.
  - Funding was initially reduced by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous CTB scheme; and
  - Persons of Pension Age, although allowed to apply for CTR, would be 'protected' from any reduction in support through regulations prescribed by Central Government.
- 2.5 Since its introduction in April 2013, our local 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 Each year the scheme must be approved by Full Council.
- 2.7 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, thus benefitting from Council Tax Reduction awards of up to 80%.
- 2.8 Universal Credit 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.
- 2.9 CTR is administered as a local discount, putting it outside of the welfare system and scope of UC.
- 2.10 CTR provides financial assistance in the form of a rebate on the Council Tax

bill and whilst cost had reduced over recent years the economic impact of Covid 19 has reversed that trend, with significant increases in demand and cost over the current year.

2016/2017	£10,679,971	
2017/2018	£10,264,000	
2018/2019	£ 9,058,176	
2019/2020	£ 8,652,758	
2020/2021	£ 8,500,000	(original estimated pre COVID)
	£10,083,800	(revised estimated due to COVID)
2021/2022	£10,487,000	(estimated)

- 2.11 Council Tax Reduction cases for working age claimants have increased since March by 675 from 5,486 to 6,161. A further increase is probable with the end of the furlough scheme in March 2021. A further increase over 500 households seeking support could increase the cost of award of Council Tax Reduction by an estimated £500,000.
- 2.12 There are frequent changes in UC entitlement to mirror earnings which provide a benefit to the recipient. However, this represents a challenge for the administration of the CTRS due to the increase in reported changes through UC and DWP.
- 2.13 CTR is calculated as a means tested benefit taking into account the claimant's 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 working hours, someone moving in or out of the property. On average, customers report between 2-4 changes per year.
- 2.14 The changes reported to the Council through UC and DWP are significantly higher, reflecting the link between monthly earnings and benefit payments, with many changes reported per customer annually. Changes can occur each month.
- 2.15 Given the link between the calculation of CTR and collection of Council Tax, this means some customers receive a new Council Tax bill every month due to what could be minor variations in their earnings and UC award.
- 2.16 Such a situation provides confusion for customers, limits the effectiveness of the Council in recovering unpaid Council Tax and adds further cost to the administration of the CTRS.
- 2.17 At its meeting on 21 July 2020, Policy and Resources Committee was advised many authorities have moved to income banded schemes and these have been successfully in operation in authorities in Kent and across the country for a few years now.

- 2.18 Policy and Resources Committee was advised that an analysis had been carried out and an income banded scheme was the fairest and simplest to administer and explain to customers.
- 2.19 A simpler income banded scheme includes wide earnings bands. The only changes that would be necessary were if the claimant moved into a different earnings band.
- 2.20 When determining income for the purpose of the income banded scheme, any benefits the claimant is in receipt of are not taken into account (disregarded). Only employment earnings are used in the calculation.
- 2.21 So for any claimant who is in receipt of a benefit such as Income Support, Job Seekers Allowance, Employment Support Allowance, Working Tax Credits, disability allowances/premiums child tax credits and maximum UC, these will not be included as income for the income banded scheme.
- 2.22 The objectives considered when looking at an income banded scheme were to:
- Maintain the maximum basis of award of 80% of Council Tax liability
  - Protect disabled households
  - Simplify assessments and reassessments
  - Maintain costs of award in line with the current scheme had it been carried forward to 2021-22
  - Understand the impact on specific groups based on gender, disability and age.
- 2.23 3 income banded scheme models have been considered.
- 2.24 Model 1 is a simple scheme made up of five income bands with maximum CTR award of 80% as under the current scheme.
- Monthly income is based on net employment earnings
  - Working-age households with earnings above their respective thresholds, or with savings above £10,000, are not eligible for support
  - Cost of award estimated to be the same as the current scheme if it had been carried forward to 2021-22 (Model 1 was modelled on this objective).
  - Introduction of lower-rate and higher-rate non-dependant deductions (these are deducted from CT liability):
    - Lower non-dependant deductions of £5/week
    - Higher non-dependant deductions of £10/week

The monthly earning bands and maximum award are:

Band	Household size and earnings threshold			Maximum Award
	No children	1-2 children	3+ children	
Band 1	Passported/max UC	Passported/max UC	Passported/max UC	80%
Band 2	Less than £316	Less than £387	Less than £441	65%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99	50%

Band 4	£632-£947.99	£775-£1,162.99	£883-£1,324.99	25%
Band 5	£948-£1,263.99	£1,163-£1,550.99	£1,325-£1,766.99	10%

2.25 Model 2 is the same as Model 1 except for an additional 5% uplift to Council Tax Support for households in receipt of disability or illness benefits in respect of the claimant or their partner (subject to a maximum level of support of 80%), on top of the protection of benefits not being taken as income.

- 5% uplift for bands 2-5 for households in receipt of disability or illness benefits (DLA/PIP or ESA in respect of claimant, partner or child). (Households in band 2+ are households that fall into band 2 (maximum award 65%) but receive an uplift of 5% taking them up to 70%).
- This model is estimated to cost £15k per annum more than the current scheme if it had been carried forward to 2021-22.
- The monthly earning bands and maximum award are:

Band		Household size and earnings threshold			Maximum Award
No children		1-2 children	3+ children		
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC		80%
Band 2	Less than £316	Less than £387	Less than £441		65%
Band 2+					70%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99		50%
Band 3+					55%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99		25%
Band 4+					30%
Band 5	£948-£1263.99	£1163-£1550.99	£1325-£1766.99		10%
Band 5+					15%

2.26 Model 3 is a further model but with maximum support of 70%, except for households in receipt of disability or illness benefits which will have support uplifted by 10% to 80% in band 1.

- This model will cost £288k less than the current model had it been carried forward into 2021-22.

Band		Household size and earnings threshold			Maximum Award
No children		1-2 children	3+ children		
Band 1	Passported/ max UC	Passported/ max UC	Passported/ max UC		70%
Band 1+					80%
Band 2	Less than £316	Less than £387	Less than £441		65%
Band 2+					70%
Band 3	£316-£631.99	£387-£774.99	£441-£882.99		50%
Band 3+					55%
Band 4	£632-£947.99	£775-£1162.99	£883-£1324.99		25%

Band 4+				30%	
Band 5	£948-£1263.99	£1163- £1550.99	£1325-£1766.99	10%	
Band 5+				15%	

- 2.27 There will be gainers and losers as with any new scheme. The income banded scheme makes it a fairer scheme for all claimants, but to mitigate any significant impacts an Exceptional Hardship Scheme will be in place (Appendix 5).
- 2.28 Although full migration to Universal Credit is not expected until 2024, more and more people are being moved onto UC. With the Exceptional Hardship Policy in place, this will protect those who might otherwise experience severe financial hardship, especially with the change to a new Council Tax Reduction Scheme.
- 2.29 A public consultation is mandatory where changes are proposed to the CTR scheme and Policy and Resources Committee resolved that delegated authority would be given to the Head of Revenues and Benefits to commence consultation on the 3 models proposed.
- 2.30 Decision makers are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to
- (i) Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010,
  - (ii) Advance equality of opportunity between people from different groups, and
  - (iii) Foster good relations between people from different groups.
- 2.31 An equality impact report covering the implications of amending the current scheme and introducing a revised scheme from 1 April 2021 is detailed in Appendix 2. A full EQIA is in Appendix 6.

### **3. AVAILABLE OPTIONS**

- 3.1 Having completed the consultation the Council can decide:

Option 1 (Model 1) This would be the most straightforward model to implement and administer, and the simplest to explain to customers. Those in receipt of disabled and illness benefits are protected as these benefits, which can make up a significant amount of household income, are not taken into account when calculating CTR.

- 3.2 Option 2 (Model 2) In addition to the protection received under Model 1, an additional 5% uplift in support is given to those in receipt of disability and sickness benefit who do not fall into Band 1 (maximum award 80%). This was the favourite model of the public consultation.

- 3.3 Option 3 - Implement Model 3. This was the least favourite model. For the claimants that are not in receipt of disabled/sickness benefits the maximum award would be 70% rather than 80%. Those in receipt of

disability/sickness benefits would receive maximum award of 80%. This means the majority of claimants will only receive maximum support of 70%.

- 3.4 Option 4 - do nothing and continue with the current CTR Scheme. This would mean any changes reported to us would be actioned and a new Council Tax bill will be generated each time a change is made. This would potentially mean that a customer could receive 12 Council Tax bills each year with the Council Tax payments changing each time a revised bill is issued. This would be confusing for the customer as they would be constantly changing the amount they have to pay. The option of 'do nothing' will be administratively time consuming, with an inevitable increase in printing and postage. Policy and Resources Committee took the decision on 21 July 2020 to introduce a new simplified income banded scheme and carry out a public consultation with the 3 models shown in Appendix 3.

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## **4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The preferred option is Option 2 - to implement Model 2, the reasons being:

The majority of claimants (94%) in receipt of sickness and disabled benefits fall into Band 1 and receive maximum support of 80%

The remaining 6% fall into Bands 2-5 and will benefit from a 5% uplift in support.

The amount involved in awarding a 5% increase in support is small in comparison to the overall cost of award.

This was the favoured model from the public consultation.

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## **5. RISK**

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.

## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 The survey was open between 31 July 2020 and 27 September 2020 and residents who have signed up for consultation reminders were notified and sent an invitation to participate in the consultation. In addition, all CTR claimants were emailed directly. In total 12,400 residents were contacted.
- 6.2 Background information provided as part of the consultation explained the impacts of each of the proposed models and the rationale behind why each

model was being considered.

- 6.3 The survey was promoted on the Council's website and social media. Paper copies were available on request.
  - 6.4 The survey was open to all Maidstone borough residents aged 18 years and over. There was a total of 244 responses to the survey which represented under a 2% response rate.
  - 6.5 Respondents were asked to rank the three models in order of preference, where 1 was their favourite model and 3 was their least favourite model. 163 respondents answered this question.
  - 6.6 Models that were ranked as 1<sup>st</sup> (favourite model) were allocated a weighting of 3, the second favourite models were allocated a weighting of 2 and the least favourite models (ranked 3<sup>rd</sup>) were allocated a weighting of 1. This allowed a weighted average to be calculated.
  - 6.7 The greatest mean score indicates Model 2 was ranked the preferred model as highest at 2.21, followed by Model 1 (1.97). Model 3 was the lowest rated model (1.85).
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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 A decision on the final scheme to be implemented is required by a meeting of Full Council on recommendation by Policy and Resources Committee.
  - 7.2 That decision will be publicised through the local media with those residents directly affected by the changes notified in writing of planned changes.
  - 7.3 The revised CTRS will take effect from 1 April 2021 and be reflected in the annual Council Tax bills to be sent in March 2021.
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## **8. REPORT APPENDICES**

- Appendix 1: Consultation Results
- Appendix 2: Full Banded Scheme Report
- Appendix 3: Banded Schemes 1,2 and 3
- Appendix 4: Model 1 Case scenarios
- Appendix 5: Exceptional Hardship policy

- Appendix 6: EQIA
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