

MAIDSTONE BOROUGH COUNCIL

COUNCIL

9 DECEMBER 2020

**REPORT OF THE POLICY AND RESOURCES COMMITTEE ON 25 NOVEMBER
2020**

COUNCIL TAX REDUCTION SCHEME 2021-22

Issue for Decision

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 on the outcome of the Public Consultation and makes a recommendation to Council that the 2021-2022 Council Tax Reduction Scheme be implemented.

Recommendation Made

That the 2021-22 Council Tax Reduction Scheme be implemented (Model 2).

Reasons for Recommendations

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.

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.

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. CTR is administered as a local discount, putting it outside of the welfare system and scope of UC.

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.

- 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)

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 of over 500 households seeking support could increase the cost of award of Council Tax Reduction by an estimated £500,000.

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.

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.

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.

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.

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.

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.

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. The only changes that would be necessary were if the claimant moved into a different earnings band.

Only employment earnings are used in the calculation. 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.

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.

3 models have been considered and outlined below.

Model 1:

- 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%

Model 2:

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%

Model 3:

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%

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).

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.

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 conduct prohibited by the Equality Act 2010,
- (ii) Advance equality of opportunity between people from different groups
- (iii) Foster good relations between people from different groups.

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.

Alternative Considered and Why Not Recommended

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.

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.

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%.

Option 4 - do nothing and continue with the current CTR Scheme. 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.

Background Documents

None

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