

Policy and Resources Committee

30 October 2017

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

No

Council Tax Reduction Scheme 2018-19

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|---|--|
| Final Decision-Maker | Council |
| Lead Director or Head of Service | Stephen McGinnes, Mid-Kent Services Director |
| Lead Officer and Report Author | Sheila Coburn, Interim Head of Revenues and Benefits |
| Classification | Public |
| Wards affected | All |

Executive Summary

To report the outcome of the public consultation on proposed changes to the Council Tax Reduction Scheme and make recommendations on the 2018/19 scheme.

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), together with the billing and collection of Council Tax.

This report makes the following recommendations:

1. The Committee notes the outcome of the public consultation.
2. The Committee considers the potential impact of the proposed changes on Universal Credit claimants.
3. The Committee recommends to Council that the Council Tax Reduction Scheme be amended to incorporate the changes summarised in Section 3.

Timetable

| Meeting | Date |
|--------------------------------|-----------------|
| Policy and Resources Committee | 30 October 2017 |
| Council | 6 December 2017 |

Council Tax Reduction Scheme 2018-19

1 INTRODUCTION AND BACKGROUND

1.1 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).

1.2 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.

1.3 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.

1.4 Each year the scheme must be approved by Full Council before 31 January.

1.5 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.

1.6 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.

1.7 Council Tax Reduction is administered as a local discount, putting it outside of the welfare system and scope of UC.

1.8 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 Universal Credit not expected for all claimants until 2022 at the earliest.

1.9 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.

- 1.10 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.
- 1.11 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.
- 1.12 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.
- 1.13 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.
- 1.14 It is 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.
- 1.15 At Policy & Resources Committee on 25 July 2017, it was agreed that delegated authority would be given to the Head of Revenues and Benefits to commence consultation on the updated Council Tax Reduction Scheme, incorporating these changes, to be implemented for 2018/2019.

2. AVAILABLE OPTIONS

- 2.1 Following a consideration of a range of options (reported to P&R Committee 25 July 2017) the conclusion was that the best option would be to have a scheme that was easily understood by customers as well as providing stability around the Council Tax to be paid, supporting budgeting.
- 2.2 'Do nothing' – any changes reported to us would be actioned each time 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.

2.3 The public consultation outlined the following options:

2.4 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 Council Tax Reduction (CTR) 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.

2.5 Option 2 – apply a tolerance to avoid multiple changes

This option will enable the council 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. By applying a tolerance, this will reduce some changes where they are minimal, but will not prevent revised Council Tax bills being issued in many cases.

2.6 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.

2.7 An example of how the options would affect any changes is shown in Appendix 2.

3 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The preferred option is option 1 as shown in paragraph 2.4 above.

3.2 By adopting this option, the changes will be:

- easily understood by those affected
 - provide stability around the Council Tax to be paid
 - support customers with budgeting
 - enable work and resources to be effectively planned and managed
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4 RISK

- 4.1 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.
- 4.2 We are satisfied that the risks associated are within the council's risk appetite and will be managed as per the Policy.

5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Following the report to P&R Committee on the 25 July 2017 a public consultation was undertaken between 18 August and 1 October 2017.
- 5.2 The survey was carried out online, with a direct email to approximately 8,000 customers who had consented to being contacted by email plus a direct email to approximately 3,200 Council Tax Reduction claimants where the email address was held.
- 5.3 The survey was promoted on the council's website, social media and in the local press. Paper copies were available on request.
- 5.4 The survey was open to all Maidstone Borough residents aged 18 years and over.
- 5.5 A total 773 people responded to the consultation. The consultation report explaining the results is provided as Appendix 1.
- 5.6 The survey was set so customers were able to vote for more than one option, rather than restricting to one option only.
- 5.7 The overall responses for each option are shown in the following table:

| | Option 1 | Option 2 | Option 3 |
|----------|----------|----------|----------|
| Yes | 387 | 366 | 232 |
| No | 116 | 121 | 260 |
| Not sure | 270 | 212 | 160 |
| Total | 773 | 699 | 625 |

- 5.8 Whilst the responses were very close for Option 1 And Option 2, the number of people who opted for Option 1 was slightly more than Option 2, and the number of people who responded 'no' was less for Option 1 than Options 2 and 3.
- 5.9 Using this analysis, the results of the consultation would look to support the recommended preferred option which is Option 1

6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 A decision on the changes as a result of UC is required by a meeting of Full Council. That decision will be publicised through the local media with those residents directly affected by the changes notified in writing of planned changes.
- 6.2 The revised CTR scheme will take effect from 1 April 2018 and be reflected in Council Tax bills that are issued as changes to UC occur.
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7 CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---------------------------------------|--|---|
| Impact on Corporate Priorities | <p>We do not expect the recommendations will by themselves materially affect achievement of corporate priorities.</p> <p>The council needs to balance the needs of low income households with the wider interest of local taxpayers to ensure vulnerable residents are protected, by providing a scheme that is understandable, provides stability for and supports customers as set out in Section 3 [preferred alternative].</p> | Sheila Coburn, Interim Head of Revenues and Benefits |
| Risk Management | Already covered in the risk section | Sheila Coburn, Interim Head of Revenues and Benefits |
| Financial | Council Tax Reduction reduces the amount of Council Tax that can be collected. The cost of the scheme is met by the Council and preceptors. The amendment to the scheme outlined in this report will not | Section 151 Officer & Finance Team |

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| | have an impact on its direct costs but will mitigate the administration costs arising from the introduction of Universal Credit. | |
| Staffing | We will deliver the recommendations with our current staffing. | Sheila Coburn, Interim Head of Revenues and Benefits |
| Legal | <p>Section 13A of the Local Government Finance Act 1992 requires the Council to adopt a Council Tax Reduction Scheme. Schedule 1A of the Act provides a statutory duty to consult on a proposed scheme and for council to approve a scheme by 31 January 2018</p> <p>Consideration must be given to the finding of the consultation and equality impact assessment in reaching a decision</p> | Interim Deputy Head of Legal Partnership |
| Privacy and Data Protection | In accepting the recommendations there may be an increase in the volume of personal data held by the council as claimants will need to provide evidence to obtain the reduction. Any data collected will be processed with other data held from the DWP to ensure the Council complies with the Data Protection Act 1998. | Interim Deputy Head of Legal Partnership |
| Equalities | We recognise the recommendations may have varying impacts on different communities within Maidstone. Therefore we have completed a separate equalities impact | Policy & Information Manager |

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|---------------------------|--------------------------|---|
| | assessment at Appendix 3 | |
| Crime and Disorder | No impact | Sheila Coburn, Interim Head of Revenues and Benefits |
| Procurement | No impact | [Head of Service & Section 151 Officer] |

8 REPORT APPENDICES

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

- Appendix 1: Consultation results
- Appendix 2: Scenario/example
- Appendix 3: Equality Impact assessment

9 BACKGROUND PAPERS

None