

**Council Tax Reduction Scheme 2021-22**

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

**Executive Summary**

- 1.1 Each year Full Council has to approve the Council Tax Reduction Scheme for the following year.
- 1.2 Where there are changes proposed, it is necessary for a public consultation to take place, requiring an early decision on any proposed changes.
- 1.3 This report updates on the progress that has been made on the review of the Council Tax Reduction Scheme and options for public consultation in advance of taking a decision on the scheme to be implemented for 2021-22.

**Purpose of Report**

To update the Committee on the progress that has been made on the review of the Council Tax Reduction Scheme and options for public consultation in advance of taking a decision on the scheme to be implemented for 2021-22.

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

1. That the Committee notes the findings of the review of the current Council Tax Reduction Scheme
2. That the Committee notes the potential impact of the proposed changes to the scheme on working age claimants with the protected characteristics of disability, age and sex, under the Equalities Act (2010); and
3. That the Committee delegates authority to the Head of Revenues and Benefits to finalise and commence consultation on the Council Tax Reduction Scheme to be implemented for 2021-2022.

**Timetable**

<b>Meeting</b>	<b>Date</b>
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Policy and Resources Committee	21 July 2020
Public Consultation	August/September 2020

# Council Tax Reduction Scheme 2021-22

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	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 Revenues and Benefits)
<b>Cross Cutting Objectives</b>	The report recommendations support the achievement of the Deprivation and Social Mobility is Improved cross cutting objective by providing support to low income households.	Sheila Coburn (Head of Revenues and Benefits)
<b>Risk Management</b>	<p>The risks associated with implementing and operating the scheme are not considered high. Endorsement of a scheme helps reduce the risk.</p> <p>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 on an increase in unemployment.</p>	Sheila Coburn (Head of Revenues and Benefits)]
<b>Financial</b>	<p>The cost of the 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 the cost of the scheme is shared through the</p> <p>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.</p>	Section 151 Officer & Finance Team
<b>Staffing</b>	We will deliver the recommendations with our current staffing.	Sheila Coburn (Head of 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	Team Leader (Corporate

	<p>of the Act requires the Council to consider whether to revise or replace its scheme for each year.</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. As there are changes proposed for the 2021-2022 scheme further consultation is necessary</p>	Governance), MKLS
<b>Privacy and Data Protection</b>	<p>It is recognised the recommendations will impact on what information the Council holds on its residents.</p> <p>The data will be held and processed in accordance with the data protection principles contained in Schedule 1 to the Data Protection Act 1998.</p>	Policy and Information Team
<b>Equalities</b>	<p>We recognise the recommendations may have varying impacts on different communities within Maidstone. Therefore, we have completed a separate equalities impact assessment.</p>	Policy & Information Manager
<b>Public Health</b>	No impact	Sheila Coburn (Head of Revenues and Benefits)
<b>Crime and Disorder</b>	No impact	Sheila Coburn (Head of Revenues and Benefits)
<b>Procurement</b>	No impact	Sheila Coburn (Head of Revenues and Benefits)

## **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 Works and Pensions (DWP).

2.2 Each year the scheme must be approved by Full Council.

2.3 Any changes to the scheme for any year have to go for public consultation before being approved.

2.4 Since its introduction in April 2013, our local scheme has been 'refreshed' annually for general changes in applicable amounts (primarily in relation to disability premiums) and taking into account the introduction of Universal Credit.

2.5 Under the Council Tax Reduction provisions, the scheme for pensioners is determined by Central Government and the scheme for working age applicants is determined by the Council.

2.6 The current scheme for working-age applicants is a means tested one and all applicants, irrespective of their financial circumstances, are currently required to pay a minimum of 20% towards their Council Tax liability.

2.7 Council Tax Reduction provides financial assistance in the form of a rebate on the Council Tax bill and this has reduced over recent years.

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	(estimated)

2.8 The introduction of Universal Credit Full Service (UCFS) on 21 November 2018 brought a number of challenges to both the administration of Council Tax Reduction and also the collection of Council Tax.

2.9 There is a tendency for Universal Credit (UC) claimants to delay making a claim for CTR leading to a loss of entitlement. A high number of changes to UC cases are received from the Department for Work and Pensions (DWP) requiring a change to CTR entitlement. On average, 40% of UC claimants have between eight and twelve changes in entitlement per annum.

- 2.10 These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection.
- 2.11 The existing scheme is complicated, so it is not easy for customers to understand and has high administration costs to maintain.
- 2.12 It is clear with this in mind, the existing means tested CTR scheme, which is completely reactive to any change, is no longer viable and it is imperative to move to a new, more efficient scheme from April 2021.
- 2.13 Many authorities are now moving to Banded Income Schemes and these have been successfully in operation in authorities in Kent and across the country for a few years now.
- 2.14 The proposed new banded income scheme will have an in-built, simplified claiming process. In the case of UC applicants, any UC data received from the DWP will be instantly treated as a claim for CTR and entitlement will be processed automatically with minimum need to request further information from the applicant.
- 2.15 This will have the following distinct advantages:
- Speed of processing will improve significantly because claims will be able to be calculated automatically and promptly, which will reduce delays
  - Entitlement for every applicant will be maximised because there will be no requirement for UC applicants to apply for CTR. This will help to reduce the risk of applicants losing out on their entitlement as well as eradicating the need to consider backdate requests
  - Only significant changes in income will affect the level of discount awarded
  - Applicants who receive CTR will not receive multiple Council Tax demands and adjustments to their instalments
  - Collection rates will be maintained because the new scheme will avoid constant changes in entitlement and the need for revised bills to be issued with changes to the instalments due.
- 2.16 It is proposed that the income ranges will be wide ranging in order to avoid having to make constant changes in the level of discount awarded.
- 2.17 The current CTR scheme is very reactive and entitlement will alter even if the overall change in the applicant's income is relatively small. This leads to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax adjustment notices, the overall effect being that Council Tax collection is detrimentally affected.
- 2.18 The current CTR scheme is based on an old-fashioned approach which alters entitlement on a frequent basis. The new scheme is designed to reflect a more modern approach where discount changes will be effective from the day of the change, rather than the Monday of the following week which is currently the case.

- 2.19 Income-banded schemes award different levels of discount based on set bands of income.
- 2.20 Reassessment of cases will only be required if income crosses one of the income-band thresholds.
- 2.21 An income-banded scheme allows the council to convey a relatively simple eligibility message to residents.
- 2.22 An example of an income banded scheme for households with no children, 1-2 children and 3 and over children would be:

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%

- 2.23 More detailed information is contained in Appendix A showing three banded income schemes with comparison to the current scheme.
- 2.24 The current CTR scheme also contains a provision for applicants to make an application for additional financial support where they experience exceptional hardship. It is proposed that the new scheme will contain the same provisions and where any person, or group of persons, is likely to experience hardship as a result of the introduction of a new scheme, this will be addressed within an application for exceptional hardship.
- 2.25 Prior to the approval and implementation of any change to CTR Scheme, we are required to carry out a public consultation.

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### 3. AVAILABLE OPTIONS

- 3.1 Option 1 – maintain current scheme. In doing so, the issues with the current scheme being outdated, complex, difficult to understand and administrate will not be addressed.
- 3.2 Option 2 – revise the current scheme. Any revisions to the scheme would be limited, difficult to identify and implement as well as being temporary.
- 3.3 Option 3 – introduce a new simplified income banded scheme and carry out a public consultation with the 3 schemes shown in Appendix 1.
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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Option 3 - Taking into account all the matters referred to above, it is recommended that the Council introduces a new banded income scheme and consults with the public on the 3 banded income schemes set out in Appendix 1.
  - 4.2 It is our intention that the resultant scheme will retain longevity.
  - 4.3 An important feature of the new scheme would be the retention of the Exceptional Hardship Policy to protect those who may otherwise experience severe financial hardship.
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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 Prior to the implementation of any change to Council Tax Reduction Schemes (CTRS), authorities are required to consult with the public.
- 6.2 There have been a number of legal challenges to CTRS consultations and it should be noted that a judgment handed down by the Supreme Court has defined what is meant by 'good consultation'.
- 6.3 The guiding principles which have been established through case-law for fair consultation are as follows:
  - The consultation must be carried out at a stage when proposals are still at a formative stage;
  - Sufficient information on the reasons for the decision must be provided to permit the consultees to carry out intelligent consideration of the issues and to respond;
  - Adequate time must be given for consideration and responses to be made; and
  - The results of the consultation must be properly taken into account in finalising any decision.
- 6.4 It is anticipated that the consultation will be website based with information put on the website and in the media to encourage residents to participate.
- 6.5 Where we have email addresses, we will contact those in receipt of Council Tax Support by email.

- 6.6 It will be important to involve stakeholder groups such as the CAB, local debt advice agencies, registered social landlords and other organisations with a significant interest, to obtain their views.
- 6.6 There is also a duty to consult with the major precept authorities (County Council, Fire and Police) who are statutory consultees.
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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The outcome of the consultation will be reported to Policy & Resources Committee 25 November 2020 with a recommendation of the scheme to be implemented for 2021-2022.
- 7.2 It is intended a recommendation on the final scheme to be implemented will be taken to Full Council for decision on 9 December 2020.
- 7.3 The final scheme will be publicised through the local press with any households affected by specific changes also notified in writing in advance of any change, which will take effect from 1 April 2021.
- 7.4 The final decision at Full Council will be notified to key stakeholders.
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## **8 REPORT APPENDICES**

Appendix 1 Income Banded Scheme

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## **9 BACKGROUND PAPERS**

Policy in Practice CTS Modelling Report