

# Finance and Governance Cabinet Advisory Board

14 November 2017

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

**No**

## \* Council Tax Reduction Scheme 2018/19

<b>Final Decision-Maker</b>	Full Council
<b>Portfolio Holder(s)</b>	Councillor David Reilly – Portfolio Holder for Finance and Governance
<b>Lead Director</b>	Stephen McGinnes – Director of Mid Kent Services
<b>Head of Service</b>	Sheila Coburn – Head of Revenues and Benefits
<b>Lead Officer/Author</b>	Sheila Coburn – Head of Revenues and Benefits
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	All

### **This report makes the following recommendations to the final decision-maker:**

1. That the outcome of the public consultation is noted;
2. That the potential impact of the proposed changes on Universal Credit claimants is noted; and
3. That the amendments to the Council Tax Reduction Scheme to incorporate changes summarised in paragraph 3.4 are recommended to Full Council for approval.

### **This report relates to the following Five Year Plan Key Objectives:**

- A Prosperous Borough

### **Timetable**

<b><i>Meeting</i></b>	<b><i>Date</i></b>
Management Board	25 October 2017
Discussion with Portfolio Holder	6 November 2017
Cabinet Advisory Board	14 November 2017
Cabinet	16 November 2017
Council	6 December 2017

# **\* Council Tax Reduction Scheme 2018/19**

## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 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.
  - 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), together with the billing and collection of Council Tax.
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## **2 INTRODUCTION AND BACKGROUND**

- 2.1 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).

- 2.2 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.

- 2.3 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.
- 2.4 Each year the scheme must be approved by Full Council before 31 January.
- 2.5 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 Tunbridge Wells, working age claimants must pay at least 20% of the Council Tax liability.
- 2.6 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.

- 2.7 Council Tax Reduction is administered as a local discount, putting it outside the welfare system and scope of UC.
- 2.8 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.
- 2.9 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 is 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.
- 2.10 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.
- 2.11 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.
- 2.12 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.
- 2.13 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.
- 2.14 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.
- 2.15 At Cabinet on 3 August 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.
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### **3 AVAILABLE OPTIONS**

- 3.1 Following a consideration of a range of options (reported to Cabinet on 3 August 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.
- 3.2 '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.
- 3.3 The public consultation outlined the following options:
- 3.4 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.
- 3.5 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.
- 3.6 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.

3.7 An example of how the options would affect any changes is shown in Appendix B.

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

4.1 The preferred option is option 1 as shown in paragraph 3.4.

4.2 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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## **5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

5.1 Following the report to Cabinet on the 3 August 2017, a public consultation was undertaken between 22 August and 17 October 2017.

5.2 The survey was carried out online, with a direct email to approximately 1,866 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 Tunbridge Wells Borough residents aged 18 years and over.

5.5 A total 150 people responded to the consultation. The consultation report explaining the results is provided in Appendix A.

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	69	53	34
No	28	31	58
Not sure	53	47	33
Total	150	131	125

5.8 Whilst the responses were close for Option 1 and Option 2, the number of people who opted for Option 1 was more than Option 2.

5.9 Using this analysis, the results of the consultation would look to support the recommended preferred option which is Option 1.

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## 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 changed to UC occur.
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## 7 CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Legal</b> including Human Rights Act	Section 13A of the Local Government Finance Act 1972 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 the Council to approve a scheme by 31 January 2018.  Consideration must be given to the finding of the consultation and equality impact assessment in reaching a decision.	Donna Price Interim Deputy Head of Legal Partnership 01/11/2017
<b>Finance</b> and other resources	Council Tax Reduction reduces the amount of Council Tax that can be collected. The total cost of the scheme is met by the Council and preceptors. It is important that the administration costs are minimised without materially affecting accurate entitlement to ensure that Council finances are used as effectively as possible.	Jane Fineman Head of Finance & Procurement 01.11.2017
<b>Staffing establishment</b>	We will deliver the recommendations with our current staffing.	Sheila Coburn Head of Revenues and Benefits 31.10. 2017
<b>Risk management</b>	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	Sheila Coburn Head of Revenues and Benefits

	<p>Framework.</p> <p>We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.</p>	31.10.2017
<b>Environment and sustainability</b>	No impact	<p>Sheila Coburn</p> <p>Head of Revenues and Benefits</p> <p>31.10.2017</p>
<b>Community safety</b>	No impact	<p>Sheila Coburn</p> <p>Head of Revenues and Benefits</p> <p>31.10.2017</p>
<b>Health and Safety</b>	No impact	<p>Sheila Coburn</p> <p>Head of Revenues and Benefits</p> <p>31.10.2017</p>
<b>Health and wellbeing</b>	<p>Feedback from Live Well Kent (a Kent wide mental health service) is that a large proportion of their clients are suffering adverse stress due to difficulties around claiming the new universal credit. Should Option 1 be adopted the impact will need to be monitored to ensure similar effects are not placed upon users.</p>	<p>Stuart Smith</p> <p>Assistant Healthy Lifestyles Coordinator</p> <p>3/11/17</p>
<b>Equalities</b>	<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>An equality impact assessment has been completed (see Appendix C). Taking into account consultation feedback, the equality impact assessment has identified that, in order to advance equality of opportunity, the needs of people with the following protected characteristics should be noted and</p>	<p>Sarah Lavallie</p> <p>Corporate Governance Officer</p> <p>02.11.2017</p>

	<p>addressed as follows:</p> <ul style="list-style-type: none"> <li>– Respondents to the consultation with a disability were most likely to support Option 1 however, if implemented, we should monitor the number of changes being reported by claimants with disabilities and those with a carer in the household.</li> <li>– Option 1 was the most preferred option for both male and female respondents. However, female respondents were more likely to express uncertainty about this option than males. Option 1 has the potential to put female claimants at a disadvantage, compared to males, as they may be more likely to work zero hours contracts and experience more changes to their income than males. This can be mitigated as claimants have the ability to directly notify the Council of changes immediately (without DWP notification) and changes can be applied straight away to prevent unmanageable arrears building up.</li> </ul> <p>Should Option 1 be introduced, the impact on claimants with a disability and females will be monitored. An exceptional hardship scheme was also introduced in April 2017 which will continue to be available to eligible claimants, including those with protected characteristics. This will be subject to a review after one year.</p>	
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## 8 REPORT APPENDICES

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

- Appendix A: Consultation results
- Appendix B: Scenario/example
- Appendix C: Equality Impact Assessment

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## 9 BACKGROUND PAPERS

None