

# Council Tax Reduction Scheme

For Finance & Governance Cabinet Advisory Board 10 November 2020

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## Summary

**Lead Member:** Tom Dawlings, Portfolio Holder for Governance & Finance

**Lead Director:** Stephen McGinnes, Director Mid Kent Services

**Head of Service:** Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership

**Report Author:** Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership

**Classification:** Public document (non-exempt)

**Wards Affected:** All

Approval Timetable	Date
Portfolio Holder	4 November 2020
Finance & Governance CAB	10 November 2020
Cabinet	3 December 2020
Council	16 December 2020

## Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet notes the outcome of the public consultation.
2. That Cabinet makes a recommendation to Full Council to implement the 2021-2022 Council Tax Reduction Scheme.
3. That Cabinet notes the impacts highlighted in the Policy in Practice analysis, and EqIA and delegates authority to the Head of Revenues and Benefits to consider mitigations to those impacts and make any changes deemed necessary within the Exceptional Hardship Policy in consultation with the Portfolio Holder for Finance and Governance.

# 1. Introduction and Background

- 1.1 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.
- 1.2 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.
- 1.3 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).
- 1.4 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.
- 1.5 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.
- 1.6 Each year the scheme must be approved by Full Council.
- 1.7 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 Tunbridge Wells, working age claimants must pay at least 20% of the Council Tax liability.
- 1.8 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.

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

1.10 CTR provides financial assistance in the form of a rebate on the Council Tax bill and this cost of award has generally reduced over recent years.

2016/2017	£6,400,401
2017/2018	£5,923,117
2018/2019	£5,909,165
2019/2020	£5,975,191
2020/2021	£5,763,565 (estimated)

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Such a situation provides confusion for customers, limits the effectiveness of the Council in recovering unpaid Council Tax and add further costs to the administration of the CTRS.

1.16 When the 2020-21 CTRS was being considered in September 2019, the Cabinet report explained that the current Council Tax Reduction Scheme had become out of date.

1.17 At its meeting on 6 August 2020, Cabinet was advised that 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.

1.18 Cabinet was advised on 6 August 2020 that an analysis had been carried out and

an income banded scheme was the fairest and simplest to administer and explain to customers.

- 1.19 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.
- 1.20 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.
- 1.21 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 and child tax credits, these will not be included as income for the income banded scheme.
- 1.22 3 income banded scheme models have been considered.
- 1.23 Model 1 is a simple scheme made up of five income bands with maximum CTR award of 80% as under the current scheme.
- Net monthly earnings are made up of net employment earnings
  - Working-age households with earnings above their respective thresholds, or with savings above £10,000, are not eligible for support
  - Band D cap retained
  - Cost of award £5.38 million per annum in line with current scheme (current scheme estimated £5.38 million per annum had it been carried forward into 2021-22).
  - 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
  - Average weekly support for working-age households £17.49 per week in line with the current scheme if it were retained into 2021/22.
  - Households in receipt of Universal Credit see an increase of £0.70/week on average compared to current levels of support.
  - Households in receipt of legacy benefits (e.g. Income Support, Job Seekers Allowance) see their level of support decrease by £0.53 per week on average, but still retain slightly higher support levels at £17.72 per week compared to £17.18 per week for households in receipt of Universal Credit. (Those households will continue to receive maximum 80% CTR).
  - 13 households will no longer eligible for support due to their non-benefit income being higher than the upper earnings threshold. The majority of these households already receive low levels of support.
  - 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	Passported/max	Passported/	80%

	UC	UC	max UC	
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%

1.24 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%).

- 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 £5.39 million per annum so slightly more than the current scheme is estimated to have cost
- Average weekly support for working-age households under this model is £17.54/week. This similar to Model 1 and under the current scheme retained into 2021/22 (both £17.49).
- Households in receipt of Universal Credit see an increase of £0.74/week.
- Households in receipt of legacy benefits see a decrease of £0.47/week compared to support levels under the current scheme in 2021/22. However, as under Model 1, households in receipt of legacy benefits still retain slightly higher support levels at £17.78/week compared to £17.22/week for households in receipt of Universal Credit.
- 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%

1.25 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 £5.30 million per annum, so less than the current scheme would be estimated to cost
- The impact of this is 10% higher Council Tax to pay for residents in Band 1 who make up the majority of claimants
- Average weekly support for working-age households under this model is £16.91/week.
- This is less previous models, which all had average awards of approximately £17.50/week.

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%	

- 1.26 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.
- 1.27 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.
- 1.28 A public consultation is mandatory where changes are proposed to the CTR scheme and Cabinet resolved that delegated authority would be given to the Head of Revenues and Benefits to commence consultation on the 3 models proposed.
- 1.29 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.

- 1.30 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 B.

## 2. Consultation outcome

- 2.1 The survey was open between 20 August 2020 and 2 October 2020 and was promoted online through the Council's website and social media channels. In addition, CTR claimants were either emailed directly (2,131 claimants) and notified of the consultation or where we did not hold an email address were sent a postal survey and details of the proposals (3,452 claimants).
- 2.2 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.
- 2.3 The survey was promoted on the Council's website, social media and in the local press. Paper copies were available on request in addition to the paper copies circulated to CTR claimants.
- 2.4 The survey was open to all Tunbridge Wells borough residents aged 18 years and over.
- 2.5 There was a total of 492 responses to the survey which represented an 8% response rate.
- 2.6 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. 278 respondents answered this question.
- 2.7 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.
- 2.8 The greatest mean score indicates Model 2 was ranked the preferred model as highest at 2.37, closely followed by Model 1 (2.16). Model 3 was the lowest rated model (1.59).

## 3. Options Considered

- 3.1 Having completed the consultation the Council can decide:
- 3.2 Option 1 - do nothing and continue with the current CTR Scheme. This would mean 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. Cabinet took the decision on 6 August 2020 to introduce a new simplified income banded scheme and carry out a public consultation with the 3 models shown in Appendix A.

- 3.3 Option 2 - Implement 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. This was the favoured model by non-disabled responders.
- 3.4 Option 3 - Implement Model 2. This was the favoured model by disabled responders. 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 benefits. Those benefits received are not taken into account as income. However, the software company has advised it will not be able to implement Model 2 in time for April 2021, which would mean a manual process to award the 5% uplift award. This would need to be taken into account when calculating the administration cost of this model.
- 3.5 Option 4 - 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%.

## 4 Preferred Option and Reason

- 4.1 Option 2 - To implement Model 1 is the preferred option the reasons being:
- It is the most straightforward model
  - It is the simplest model for customers to understand
  - It is the simplest model to explain and administer
  - In the weighting score it was very close between Model 1 and Model 2
  - Whilst respondents with a disability did not place model 1 first, those in receipt of disability or sickness benefits will not have those benefits taken into account as income and are protected under Model 1
  - Benefits make up a larger share of household income. Only employment earnings are taken into account so any benefits received are disregarded for the purpose of calculating the household income. An example of 2 cases is shown in Appendix D
  - With the uncertainty of the effect of COVID on Council Tax Reduction applications which would increase the cost of awards, it may be better in



Year 1 not to commit to any further increase by awarding an additional percentage in support

- As this will be the first time an Income Banded Scheme will be implemented, using the most straightforward model may be preferable
- Given the software company would not be able to implement another model in time for April 2021, considering another model could be deferred for one year.

## **5. Implementation**

- 5.1 A decision on the final scheme to be implemented is required by a meeting of Full Council on recommendation by Cabinet.
- 5.2 That decision will be publicised through the local media with those residents directly affected by the changes notified in writing of planned changes.
- 5.3 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.

## **6. Appendices and Background Documents**

Appendices:

- Appendix A: Consultation Results
- Appendix B: Full Banded Scheme Report
- Appendix C: Banded Schemes 1,2 and 3
- Appendix D: Model 1 Case scenarios
- Appendix E: Exceptional Hardship policy
- Appendix F: EQIA

## 7. Cross Cutting Issues

### A. Legal (including the Human Rights Act)

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.

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.

Consideration must be given to the finding 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 Plan that would need to be evaluated at the time.

Keith Trowell, Team Leader (Corporate Governance), MKLS 16.10.2020

### B. Finance and Other Resources

The cost of the CTRS impacts on the Council Tax base and thereby the Council Tax yield. If the cost (amount of CTR awarded to claimants) 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 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 when compared to the existing scheme had it been carried forward to 2021-22.

Jane Fineman, Head of Finance, Procurement and Parking 30.10.2020

### C. Staffing

No impact

Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership 13.10.2020

## **D. Risk Management**

No impact

Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership 13.10.2020

## **E. Environment and Sustainability**

No impact

Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership 13.10.2020

## **F. Community Safety**

No impact

Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership 13.10.2020

## **G. Equalities**

This equality impact assessment has identified that more work is required to understand the impact on carer households and female claimants, from the introduction of the Banded Income Scheme under model one. Further work will be carried out to analyse these impacts by the Head of Revenues and Benefits and any mitigations deemed appropriate will be considered prior to introduction of the scheme, in consultation with the Portfolio Holder.

This equality impact assessment has identified that disabled households are unlikely to be disproportionately affected by the introduction of the Banded Income Scheme under model one, when compared with non-disabled households. Disabled households will continue to be treated more favourably by maintaining a range of additional allowances and income disregards.

Whilst this assessment indicates that the impacts may differ by age group, calculation of council tax reduction is not related to a person's age so it is not feasible to mitigate any potential adverse impacts on the basis of age alone. Any differences in entitlement are likely to be as a result of other factors e.g. whether the claimant has a disability, is a carer or has children in the household.

The Exceptional Hardship Policy has been reviewed to ensure it is fit for purpose and will remain in place to provide short-term help to allow people to adjust to unforeseen circumstances.

Data is not collected for religion/belief, sexual orientation, pregnancy/maternity, marital or civil partnership status and gender reassignment as it is not relevant to the calculation of

council tax reductions. We have no evidence to indicate that working age claimants would be affected differently based on these protected characteristics to claimants overall.  
Sarah Lavallie, Corporate Governance Officer 30.10.2020

## **H. Data protection**

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.

Data Protection Team

## **I. Health and Safety**

No impact

Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership 16.10.2020

## **J. Health and Wellbeing**

No impact

Sheila Coburn, Head of Mid Kent Revenues and Benefits Partnership 16.10.2020