

Council Tax Reduction Scheme 2021-22

Final Decision-Maker	Cabinet
Portfolio Holder(s)	Councillor Tom Dawlings Portfolio Holder for Finance & Governance
Lead Director	Stephen McGinnes Director of Mid Kent Services
Head of Service	Sheila Coburn Head of Revenues and Benefits Partnership
Lead Officer/Author	Sheila Coburn
Classification	Non-exempt
Wards affected	All

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

- 1.1 That Cabinet notes the findings of the review of the current Council Tax Reduction Scheme.
- 1.2 That Cabinet notes the potential impact of the proposed changes to the Council Tax Reduction Scheme on working age claimants.
- 1.3 That Cabinet notes the impact of the proposed changes to the Council Tax Reduction Scheme on people with the protected characteristics of disability, sex and age, as set out in Section 7 and Appendix B; and weighs up these impacts against any potential savings in the administration of the scheme that may be made by the Council as well as achieving the objective, to maintain costs of the scheme in line with the current scheme into 2021/22.
- 1.4 That Cabinet delegates authority to the Head of Revenues and Benefits to finalise and commence consultation on the Council Tax reduction scheme to be implemented for 2021-22

Explain how this report relates to the Corporate Priorities in the Five Year Plan:

- A prosperous borough – in providing financial support to low income households the Council will support those communities most in financial need

Timetable

Meeting	Date
Management Board	8 July 2020

Cabinet Advisory Board	Cancelled due to COVID19 pandemic- replaced by Overview & Scrutiny 27 July
Cabinet	6 August 2020
Public Consultation	August/September

Tunbridge Wells Committee Report, version: March 2019

Council Tax Reduction Scheme 2021-2022

1. PURPOSE OF REPORT AND 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.
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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 (CTR) 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 (CTR) provides financial assistance in the form of a rebate on the Council Tax bill and this 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)

- 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 It has proven difficult for many UC claimants to make a proper 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 without the need to request further information, which inevitably leads to 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.
 - Costs of administration, printing and postage will be reduced with less amendments being made following changes in income

- 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 provision 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.

- 2.26 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.
- 2.27 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.
- 2.28 Taking into account current claimant data, the report has identified there is potential for adverse impact on some protected characteristics where described below.
- 2.29 Models 1 and 2 are based on a maximum support of 80% liability under the current scheme, which was subject to an equality impact assessment in 2016.
- 2.30 That equality impact assessment concluded that a maximum support of 80% liability would see a reduction in the amount received by all working age claimants but people with disabilities and carers would continue to be treated more favourably. It was also noted there will be some female claimants and age groups of working age likely to experience negative impacts. To mitigate any potential impacts an exceptional hardship scheme was introduced in 2017.
- 2.31 The exceptional hardship scheme will remain in place and will be reviewed prior to the presenting the final details of the proposed income banded scheme.
- 2.32 All models will have a positive impact on some and a negative impact on some working age claimants, including those with protected characteristics. Pension age claimants, who also have protected characteristics, will not be affected as they are protected from any changes by central government.
- 2.33 The impacts on protected characteristics and any mitigations will be reviewed following the consultation.

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 models shown in Appendix A.

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 A.
- 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.

5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Prior to the implementation of any change to the Council Tax Reduction Scheme (CTRS), authorities are required to consult with the public. 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'.
- 5.2 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.
- 5.3 It is anticipated that the consultation will be web based with information put on the website and in the media to encourage residents to participate.
- 5.4 Where anyone does not have access to the web, paper copies will be made available.
- 5.5 Where we hold email addresses for claimants currently in receipt of CTR, we will contact them by email.
- 5.6 Where we do not hold email addresses for claimants currently in receipt of CTR, we will send them a paper copy.
- 5.7 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.

- 5.8 There is also a duty to consult with the major precept authorities (County Council, Fire and Police) who are statutory consultees.

6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The outcome of the consultation will be reported to Cabinet on 19 November 2020, with a recommendation of the scheme to be implemented for 2021-2022.
- 6.2 Full Council needs to adopt the final scheme to be implemented and it is anticipated to be taken to Full Council for decision on 16 December 2020.
- 6.3 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. The final decision at Full Council will be notified to those households affected and key stakeholders.

7 CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Legal including Human Rights Act	<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 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>	Team Leader (Corporate Governance), MKLS
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.	Finance team

	<p>Any change in the cost of the scheme is shared through the collection fund between the Council and preceptors.</p> <p>It is intended that the change to a banded scheme as described in this report would be cost-neutral.</p>	
Staffing establishment	No impact	<p>Sheila Coburn Head of Revenues and Benefits 10.07.2020</p>
Risk Management	<p>The risks associated with implementing and operating the scheme are not considered high.</p> <p>Endorsement of a scheme helps reduce the risk</p>	<p>Sheila Coburn Head of Revenues and Benefits 10.07.2020</p>
Data Protection	<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> <p>The consultation will be handled in accordance with the data protection principles. Information processed as part of the consultation will be anonymised.</p>	<p>Date Protection Team 13.07.2020</p>
Environment and Sustainability	No impact	<p>Sheila Coburn Head of Revenues and Benefits Partnership 10.07.2020</p>
Community Safety	No impact	<p>Sheila Coburn Head of Revenues and Benefits Partnership 10.07.2020</p>
Health and Safety	No impact	<p>Sheila Coburn Head of Revenues and</p>

		Benefits Partnership 10.07.2020
Health and Wellbeing	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 Partnership 10.07.2020
Equalities	<p>Disability The proposed changes aim to protect disabled households and under all models people with disabilities are treated more favourably by maintaining a range of additional allowances and income disregards. The proposed changes would see 5 disabled households lose all support under all models. Model 1 would see more disabled households (62 households) lose over £5 per week than models 2 and 3 (51 households) but disabled households are under-represented in the losing group in all cases. Models 2 and 3 provide a 5% uplift for disabled households. Model 3 protects maximum support at 80% for disabled households. However, as some claimants with disabilities will still see a reduction in their benefit amount a review of the exceptional hardship scheme will be carried out to identify if it is sufficient to mitigate any potential impacts.</p> <p>Carers Under all models of the households that lose more than £5 per week of support, carer households are disproportionately affected compared to non carer households. Although similar to Model 1 this is less pronounced in Model 2 and 3 due to the 5% uplift under these models. A review of the exceptional hardship scheme will be carried out to identify if it is sufficient to mitigate any potential impacts.</p> <p>Sex Under all models, of the households that lose more than £5 per week of support, female lone parents and female single</p>	Performance & Improvement Team 13.07.2020

	<p>households are disproportionately affected. Although similar to Model 1 this is less pronounced in Models 2 and 3, due to the 5% uplift under these models. A review of the exceptional hardship scheme will be carried out to identify if it is sufficient to mitigate any potential impacts.</p> <p>Age</p> <p>As the government has protected pensioners, the impact will fall on working age groups. Under all models, households aged 35-44 are disproportionately affected in the households that lose more than £5 per week compared to the overall working-age cohort.</p> <p>Households aged 18-24 (who have low earnings or are in receipt of out-of-work benefits) are under represented in the losing group.</p> <p>Although the impacts may differ by age group, calculation of Council Tax reduction is not related to a person's age so it is difficult to mitigate any potential adverse impacts on the basis of age alone.</p> <p>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.</p> <p>A review of the exceptional hardship scheme will be carried out to monitor the impact in relation to these factors.</p> <p>Religion/Belief, Sexual Orientation, Pregnancy/Maternity, Marital or civil Partnership Status, Gender reassignment, Armed forces Community</p> <p>Data was not gathered for these characteristics 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.</p>	
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5 REPORT APPENDICES

- Appendix A Banded Schemes 1, 2 and 3
 - Appendix B Full Banded Scheme report
 - Appendix C Consultation Methodology Statement
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6 BACKGROUND PAPERS

- None