

## COUNCIL TAX REDUCTION SCHEME 2019/2020

Cabinet - 12 July 2018

Report of Chief Finance Officer

Status: For Decision

Key Decision: Yes

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**Executive Summary:** This report updates Members on the proposed Council Tax Reduction (CTR) Scheme for 2019/2020, starting on 1 April 2019.

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### Recommendation to Cabinet:

- (a) Note the work undertaken to date and the recommendation that a redesign to the current Council Tax Reduction (CTR) scheme is required to address the issues Universal Credit Full Service causes, upon which we should consult;
- (b) For the 2019/20 Council Tax Reduction (CTR) scheme, starting on 1 April 2019, launch a consultation on the potential introduction of a fundamental redesign to the current CTR scheme for working age claimants as follows:
- (i) The current means-tested scheme will be replaced by a simple income grid model (Option 1);

Discount Level		Single (Income range per week)	Couple (Income range per week)	Family +1 Child (Income range per week)	Family +2 (or more) Children (Income range per week)
1 (includes passport legacy benefits)	80%	£0 - £74.99	£0 -£114.99	£0 -£164.99	£0 -£214.99
2	60%	£75.00 - £124.99	£115.00 - £164.99	£165.00 - £214.99	£215.00 - £264.99

3	40%	£125.00 - £174.99	£165.00 - £214.99	£215.00 - £264.99	£265.00 - £314.99
4	20%	£175.00 - £224.99	£215.00 - £264.99	£265.00 - £314.99	£315.00 - £364.99

The levels in each grid will be determined based on:

- Overall expenditure of scheme
- Ensuring maximum number of applicants are protected; and
- Ensuring that any losses to individual applicants are minimised;

It is proposed that the highest level of discount will be set at the current maximum level of liability (80%) and that all applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount;

The levels for all other bands will be determined during the modelling process;

The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and/or dependants;

- (ii) Limiting the number of children used in the calculation of support to two for all working age applicants. This will bring the scheme in line with Universal Credit (Option 2);
- (iii) Where an applicant has non-dependants living with them, no deduction shall be made from any entitlement. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low income families where adult sons and daughters, for example, remain at home; (Option 3)
- (iv) To remove Second Adult Rebate (Option 4);
- (v) To encourage work, the existing earnings disregards will be replaced by a standard £25 per week disregard across all applicant types. This will take the place of the standard disregards and additional earnings disregards. Where a family also receives a child care disregard (for child care costs not paid for by Central Government schemes), the income levels in the 'grid scheme' are set at a higher rate; (Option 5)
- (vi) Disability benefits such as Disability Living Allowance, Personal Independence Allowance will continue to be disregarded and total disregard on war pensions and war disablement pensions will continue. In addition, Carer's Allowance (Option 6) will also be disregarded, again providing additional protection with the

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scheme;

- (vii) Where an applicant is disabled, they have a disabled child or receive the Support Component of the Employment and Support Allowance, the amount they receive as a premium under the existing scheme will be replaced by an equivalent income disregard (Option 7)
- (viii) Simplifying the capital rules and reducing the capital limit from the current £16,000 to £6,000. Any capital below this level will not have any effect on the applicant's entitlement to CTR. (Option 8);
- (ix) Removing the conditions that prevent certain students from claiming Council Tax Reduction (Option 9);
- (x) Removing extended payment provision (Option 10);
- (xi) Changing the CTR claiming process for all applicants who receive Universal Credit (Option 11);
- (xii) Making all changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (Option 12);
- (xiii) Where a request is made to backdate entitlement, the current scheme requires the applicant to prove 'good cause'. It is proposed that this will be replaced by a general discretion provision. (Option 13);
- (xiv) The scheme will have a minimum award of £1.00 per week (Option 14);

(c) Note the Equalities Impact Assessment (EQIA) at Appendix A and

(d) Endorse the proposed arrangements for the consultation.

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## Introduction and background

- 1 The CTR scheme 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 Under the CTR provisions, the scheme for pensioners is determined by Central Government and the scheme for working-age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the CTB scheme.

- 3 The current scheme for working-age applicants is a means tested one, but has been amended since it was first introduced in 2013. The following details the main components of the current scheme:
  - a. All applicants, irrespective of their financial circumstances, are required to pay a minimum of 20% towards their Council Tax liability;
  - b. If a person is self-employed, a minimum income floor is imposed where a person's income is less than expected after two years of trading. The floor is primarily based on 35 hours x National Living Wage
- 4 The scheme has been amended each year for general changes in applicable amounts (primarily in relation to disability premiums) and for non-dependant deductions.

### **Reasons to Change the Current Scheme**

- 5 The introduction of Universal Credit Full Service (UCFS) in the district on 21 November 2018 will, as experienced in all other UCFS areas, bring a number of challenges to both the administration of Council Tax Reduction and also the collection of Council Tax. Sites currently within UCFS areas have experienced the following:
  - a. The reluctance of Universal Credit (UC) claimants to make a prompt claim for CTR leading to a loss of entitlement;
  - b. 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. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and
  - c. The increased costs of administration as a consequence of multiple changes, with significant additional staff resources required to deal with these changes.
- 6 It is therefore clear that with this in mind, the existing means tested CTR scheme, which is completely reactive to any change, will not be viable once UCFS has been rolled out fully within the district. In view of this it is imperative to move to a new, more efficient scheme from April 2019.

### **How the new scheme will address the problems of Universal Credit Full Service**

- 7 Due to the simplicity of the proposed new scheme, and by taking a more 'Council Tax discount approach', it will address the problems associated with UC as follows:
  - a. The 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 without the need to request further information from the applicant. This will have the following distinct advantages:

- i. 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;
  - ii. 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; and
  - iii. 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.
- b. 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.

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 is leading to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax demands, the overall effect being that Council Tax collection is detrimentally affected.

The new scheme, with its simplified approach, will have the following advantages:

- i. Only significant changes in income will affect the level of discount awarded; and
  - ii. Applicants who receive CTR will not receive multiple Council Tax demands and adjustments to their instalments
- c. 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;
- d. The current CTR scheme policy is significant in size, unduly complex and primarily based on a means-tested benefits scheme. The intention is to make the new scheme policy much simpler, reducing the level of complexity and making it more transparent and understandable for applicants and tax payers.

## Exceptional Hardship Policy

- 8 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 therefore proposed that the new scheme will still contain the same provisions and where any person, or group of persons, is likely to experience hardship, this will be addressed as part of the overall scheme design.

The Exceptional Hardship Policy will continue to be an integral part of the scheme for the foreseeable future.

## Consultation Process

- 9 Prior to the implementation of any change to CTR Scheme, authorities are required to consult with the public. There have been a number of legal challenges to CTR Scheme consultations and it should be noted that a judgement handed down by the Supreme Court in the case of R (on the application of Moseley (in substitution of Stirling Deceased)) (AP) (Appellant) v London Borough of Haringey (Respondent), has defined what is meant by 'good consultation'.
- 10 There are legal requirements in terms of the consultation process and the need to get Full Council approval by 11<sup>th</sup> March 2019 on the scheme to be adopted for 2019/20.
- 11 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 proposals 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.
- 12 It is proposed the consultation will start 23 July 2018 and will last 8 weeks.
- 13 The draft consultation documents are shown at Appendix B and C.
- 14 Members may wish to note that from a complaint to the Council it has been suggested the workers in the 'gig' economy have less equal access to the CTR scheme than other claimants that consider themselves to be self-employed. 'Gig' workers are those who work on a self-employed basis but

can in some circumstances find themselves reliant on a business to allocate them work. There is no national definition of those that deem themselves to fall between the nationally recognised employment types and this Council follows standard practice and identifies them as self-employed. To ascertain whether there is a wider issue in the District a question has been added to the consultation to gain views.

- 15 It is anticipated that the consultation will be primarily web-site based, but it will be important to write to all working age CTR claimants to draw their attention to the consultation and encourage them to participate by providing hard copy documents as appropriate. Additionally, it will be important to involve stakeholder groups such as the Citizens Advice Bureau, local debt advice agencies, registered social landlords and other organisations with a significant interest, to obtain their views.
- 16 There is also a duty to consult with the major Precepting authorities (County Council, Fire and Police) who are statutory consultees.

## Key Implications

### Financial

The estimated annual cost of the current CTR scheme is £5.6million of which £2.7million relates to working age claimants. The financial modelling for the new scheme is ongoing but the intention is to maintain the cost at current levels.

There will be no significant financial impact to the Council and the Major Precepting Authorities (Kent County Council, Fire Authority and Police).

The new scheme will look to minimise the implications for individual CTR applicants.

Where an individual may suffer exceptional hardship, the scheme will include provisions to allow for additional support to be given.

### Legal Implications and Risk Assessment Statement.

Schedule 1A (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:

*For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.*

*The authority must make any revision to its scheme, or any replacement scheme, no later than 11<sup>th</sup> March in the financial year preceding that for which the revision or replacement scheme is to have effect*

In addition, where there are changes to the scheme the authority is obliged, under Schedule 1A (5) (4), if any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.

The new scheme will inevitably change the amount of entitlement for some applicants. Where any award is reduced, applicants will be able to apply for an exceptional hardship payment.

### Equality Assessment

Members 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.

An equality impact assessment on the new CTR scheme has commenced and is provided as Appendix A. The impact assessment will continue to be reviewed in response to the consultation and as a result of any further amendments to the CTR scheme.

### **Conclusions**

As outlined within the report, it is clear that the existing means tested CTR scheme, which is completely reactive to any change, will not be viable once UCFS has been rolled out fully within the district. In view of this it is imperative to move to a new, more efficient scheme from April 2019.

### **Appendices:**

Appendix A - Equalities Impact Assessment

Appendix B - Draft Background information to the Consultation on the Council Tax Reduction Scheme for 2019/20.

Appendix C - Draft Consultation on the Council Tax Reduction Scheme for 2019/2020

**Background Papers: None**

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**Chief Finance Officer**