

# Background information to the consultation on our Council Tax Reduction Scheme (also known as the Council Tax Support Scheme) for 2019/20

## What is this consultation about?

Each year the Council has to decide whether to change the Council Tax Reduction scheme for working age applicants in its area. This year the Council has decided that changes should be made to significantly change the Council Tax Reduction scheme due to the introduction of Full Service Universal Credit within the Kent area. In effect the traditional link between Housing Benefit (which will no longer be available to new working age claimants) and Council Tax Reduction will no longer exist and it is essential that the scheme is changed to meet future requirements, to reduce administration costs and to ultimately prevent any additional costs being added to the Council Tax

## How long will the consultation run for?

The consultation will run for 8 weeks. It will start on xx/xx/2018 and finish on xx/xx/2018.

## What is the Council Tax Reduction Scheme?

Council Tax Reduction is a discount for Council Tax. The level of discount is based on the income of the household. Currently the maximum discount is 80% of Council Tax for working age households and up to 100% for pensioners.

## Why is a change to the Council Tax Reduction scheme being considered?

In April 2013 the Council Tax Benefit Scheme was replaced by a new Council Tax Reduction Scheme. Council Tax Benefit had been funded by the Department for Work and Pensions and supported people on low incomes by reducing the amount of Council Tax they have to pay.

The Council Tax Reduction scheme is determined locally by the Council rather than the Department of Work and Pensions. Although the Government initially provided funding for the scheme, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to councils. From 2019 no funding will be provided for the scheme.

People can claim Council Tax Reduction if they are on certain benefits. The current scheme requires all working age applicants to pay a minimum of 20% of their Council Tax (a maximum level of support of 80%). Applicants in receipt of income based Jobseekers Allowance, Income Support and Income Related Employment and Support Allowance receive the maximum level of support. Others receive a level of Council Tax Reduction based on their income and other factors.

A separate Central Government scheme is retained for people of pension age and Councils are **only** able to vary their schemes for people of working age.

Each Council is required to review their schemes each year and decide if they want to make any changes. Before any changes can be implemented, they must be subject to public consultation.

This consultation sets out options for changing our Council Tax Reduction Scheme, starting from 1<sup>st</sup> April 2019. In line with legislation, we have a duty to consult you and provide you with the opportunity to tell us your views on the proposed changes to our Council Tax Reduction Scheme. The law says that we must also include Kent County Council, Kent Fire and Rescue Service and Kent Police and Crime Commissioner. This has been done and the options detailed below take into account their views.

### What are the options being considered?

#### Option 1

#### The introduction of an Income Grid scheme to replace the current scheme for all applicants of working age

The current scheme for Council Tax Reduction is largely based on the previous Council Tax Benefit scheme which was assessed alongside Housing Benefit. Housing Benefit for working age applicants is being phased out and for new claims are not be available after 31<sup>st</sup> May 2018. Whilst Housing Benefit was the main provider of housing support for working age persons, it was logical to maintain a Council Tax Reduction scheme that mirrored the approach. Now that Universal Credit is being rolled out in the district, it gives the Council the opportunity to significantly simplify what is in effect a Council Tax Discount.

It is proposed that a simplified income 'grid' scheme will be introduced as follows:

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 key principles of the scheme are as follows:

- a. The level of discount (shown in the grid) will be based on the total net income (determined by the Council) of the applicant and their partner;
- b. Income levels can vary in accordance with household size and still receive the same

- level of discount;
- c. Applicants who have total net income less than the levels in Band 1 will receive a discount of 80% against their liability for Council Tax. This will also apply to those applicants receiving income support, income related employment and support allowance and income based jobseekers allowance. Where applicants are not in receipt of those benefits and their income is above the levels specified in Band 1, Council Tax Reduction shall be awarded at the appropriate level (Bands 2, 3 & 4);
  - d. Applicants who have total net income levels above the levels shown in the grid will receive no discount;
  - e. The grid will be limited to a maximum of two dependants (see Option 2)
  - f. No charges will be made for non-dependants who live with the applicant (see Option 3)
  - g. Removing the Second Adult Rebate provisions (see Option 4);
  - h. Removing the current earnings disregards (which vary depending on the circumstances of the applicant, the number of hours worked and monies they pay for child care) and replacing them with a standard disregard of £25 per week for all applicant (see Option 5);
  - i. Carer's Allowance received will be disregarded (see Option 6);
  - j. 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)
  - k. Certain incomes will continue to be disregarded including Disability Living Allowance; Personal Independence Payments, Support Component of Employment and Support Allowance, Child Benefit and Child Maintenance.
  - l. The total disregard on war pensions and war disablement pensions will continue;
  - m. Simplifying the capital rules and reducing the capital limit to £6,000 (see Option 8);
  - n. Removing the restriction on claiming for certain vulnerable students (see Option 9);
  - o. Removing the Extended Payments provisions (see Option 10);
  - p. Making claiming simpler for applicants who receive Universal Credit (see Option 11);
  - q. Any changes in circumstances which change Council Tax Reduction entitlement will be made from the date on which the change actually occurs, (rather than on a weekly basis as at present (see Option 12);
  - r. 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 (Option 13); and
  - s. The scheme will have a minimum award of £1.00 per week (Option 14).

It is inevitable that there may be both winners and losers; however the Council is keen to protect as many applicants as possible. The Council is not minded to reduce the overall total level of support available within the scheme but there will be a redistribution of support in some cases. Where an applicant experiences exceptional hardship, they will be able to apply for additional support from the Council under the Exceptional Hardship Payment Scheme which will continue as at present.

### **The benefits of changing the scheme:**

- It provides a simpler scheme, easily understood by all applicants;
- It will save significant increases in administration costs due to the introduction of Universal Credit;

## Appendix B

- It will prevent applicants receiving multiple Council Tax demands during the year and prevents multiple changes to monthly instalments;
- Applicants in receipt of 'passport benefits' such as income support, income related employment and support allowance and income based jobseekers allowance, will not be affected; and
- It will make claiming simpler for Universal Credit applicants ensuring that their entitlement to Council Tax Reduction is maximised.

### The drawbacks of doing this are:

- Whilst the Council will look to protect applicants as far as possible, there may be winners and losers; and
- Some households with more than two children may receive less support.

## Option 2

### To limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two for all applicants

Within the current scheme, applicants who have children are awarded a dependant's addition within the calculation of their needs (Applicable Amounts). The new scheme will be based on an income grid system which takes into account the number of dependants within the household; however, it will be limited to two, for *all* applicants. This will bring the scheme in line with Housing Benefit, Universal Credit and Tax Credits.

### The benefits to the Council of doing this are:

- Council Tax Reduction will be brought into line for all applicants; and
- It is simple and administratively easy to incorporate within the scheme

### The drawbacks of doing this are:

- Applicants who have three or more dependants may receive less Council Tax Reduction. However, if the applicants face exceptional hardship they may apply for additional support through the Council's Exceptional Hardship Payment scheme

## Option 3

### To remove Non-Dependant Deductions from the scheme

Currently where an applicant (and their partner if they have one) has other adults living with them such as adult sons, daughters etc., their Council Tax Reduction may be reduced. Any charge made is called a Non-Dependant Deduction. In theory, the applicant should look to recoup this deduction from those adults.

### The benefit of this option is:

- It will make the administration of the scheme simpler;
- Applicants will not be penalised for having additional adults living with them (other than if they are living their commercially); and

- The change is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

- There may be an overall cost to the scheme with no non-dependant charges being made.

### **Option 4**

#### **Removing the Second Adult Rebate provisions**

Second Adult Rebate is an anomaly in the scheme and dates from the original Council Tax Benefit provisions. It is based not on the income of the applicant or partner (if they are exempt/ if they have one) but the income of any second adult residing with them such as an adult son or daughter. A reduction under these provisions can be received irrespective of the applicants level of income or capital

#### **The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It will make the scheme fairer; and
- The change is simple and administratively easy to incorporate within the scheme.

#### **The drawbacks of doing this are:**

- Any applicant receiving Second Adult Rebate will lose entitlement

### **Option 5**

#### **Removing the current earnings disregards and replacing them with a standard £25 disregard irrespective of a person's circumstances**

Where applicants (or their partner if they have one) have earnings and work over 16 hours per week, an earnings disregard is applied depending on their individual circumstances. The standard disregards (only one is awarded) are £5 per week for a single person, £10 per week for a couple, £20 per week if they meet certain conditions such as disablement or part time special employments or £25 for lone parents. If they work additional hours, in some circumstances they may receive an additional £17.10 disregard per week. Also, if child care is paid for above that received free from Central Government, then further disregards can be made against earnings for monies paid out.

The proposed change to the scheme would introduce a standard, single disregard of £25 for the applicant (and their partner if they have one). All other disregards will be removed.

#### **The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It will be more generous to some applicants on low incomes and encourage work -

this is particularly relevant to single persons and couples with no children. (It should be noted that applicants with dependants will be allowed a higher level of income within the 'grid scheme' proposed); and

- The change is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

- There may be applicants with larger families and who have high child care costs (not met by Government schemes) who may see a reduction in support. (It should be noted that applicants with dependants will be allowed a higher level of income within the grid scheme and also if they face exceptional hardship, they may apply for additional support under the Council's Exceptional Hardship Payments Scheme).

### **Option 6**

#### **Disregarding Carer's Allowance which is currently taken into account as income**

Where applicants (or their partner if they have one) receive Carer's Allowance for looking after a person who is ill or disabled, the Carer's Allowance payment they receive is considered as income for Council Tax Reduction. This is partially offset by an award of Carer's Premium within the current scheme. With the move to an income based 'grid' scheme, the use of premiums etc. will end. The Council feels that it is fair, in these cases, to fully disregard any payment of Carer's Allowance received.

#### **The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It may be more generous to applicants who receive Carer's Allowance; and
- The change is simple and administratively easy to incorporate within the scheme.

#### **The drawbacks of doing this are:**

- There may be a small increase in scheme costs although this is thought to be negligible.

### **Option 7**

**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**

The current scheme provides additional support to applicants, their partner (if they have one) or disabled children within the family by awarding premiums / components when certain benefits (such as Disability Living Allowance, Personal Independence Payments or Support Component of the Employment and Support Allowance) are in payment. With a move to an income based scheme, to ensure these cases will not be adversely affected, a similar amount will need to be disregarded from their income.

#### **The benefit of this option is:**

- It will make the scheme fairer; and
- The change is simple and administratively easy to incorporate within the scheme.

### The drawbacks of doing this are:

- There are no drawbacks to this change

### Option 8

#### **Simplifying the capital/savings rules and reducing the capital limit to £6,000**

The current scheme has a capital limit of £16,000 and has complex rules in respect of the assessment of capital. It is proposed that the capital limit is reduced to £6,000.

#### The benefit of this option is:

- It will make the administration of the scheme simpler; and
- The change is simple and administratively easy to incorporate within the scheme.

#### The drawbacks of doing this are:

- Some applicants that have in excess of £6,000 will not qualify for support.

### Option 9

#### **Removing the conditions that prevent certain students from claiming Council Tax Reduction**

Most students are not liable to pay Council Tax. Where they are, the criteria for claiming Council Tax Reduction are complex unless they receive a 'passport benefit' such as Income Support. This option proposes the removal of the complex eligibility criteria for those small number of students who are liable for Council Tax and are considered vulnerable. Where a student can claim, their student related income such as grants, bursaries and loans will still be taken into account as per the current scheme.

#### The benefit of this option is:

- It will make the administration of the scheme simpler; and
- The change is simple and administratively easy to incorporate within the scheme

#### The drawbacks of doing this are:

- There may be a very small increase in the number of students being eligible to claim.

### Option 10

#### **Removing the Extended Payment provision**

In certain cases, where applicants have been in receipt of prescribed benefits (such as Income Support, Jobseekers Allowance or Employment and Support Allowance) and move into work which ends their entitlement, Council Tax Reduction can be paid for an additional 4 weeks after commencing work or increasing their hours. **Similar provisions do**

**not exist for Universal Credit claimants.** As Universal Credit is to replace those existing (legacy) benefits, the Council feels that these provisions are no longer appropriate.

**The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It will treat all applicants in receipt of DWP benefits equally; and
- The change is simple and administratively easy to incorporate within the scheme.

**The drawbacks of doing this are:**

- Applicants who are still in receipt of legacy benefits and who move into work before being transferred to Universal Credit may lose any potential extended payment.

### Option 11

#### **Changing the claiming process for all applicants who receive Universal Credit**

Currently, where an applicant wants to claim Council Tax Reduction, they must make a formal application either on-line or in paper format. Where applicants claim Universal Credit from the Department for Work and Pensions (DWP) there is often either a delay in receiving a Council Tax Reduction claim or no claim is made at all leading to a potential loss in entitlement. The latter occurs largely through confusion, with all other benefits being claimed from DWP and claimants not realising they must make an additional claim to the Local Authority.

When a person claims Universal Credit, their award details are passed to the Council automatically. It would be a distinct advantage and simplification in administration if the Council were to take any Universal Credit data received from DWP as a claim for Council Tax Reduction automatically.

**The benefit of this option is:**

- It will make the administration of the scheme simpler;
- Universal Credit claimants will receive any Council Tax Reduction automatically; and
- The change is simple and administratively easy to incorporate within the scheme

**The drawbacks of doing this are:**

- There are no drawbacks to this option.

### Option 12

**Any change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present)**

Changes in circumstances that affect entitlement to Council Tax Reduction under the current scheme are largely effected on a weekly basis. This is a 'throwback' to previous benefit schemes that were weekly based. As Council Tax is a daily charge, the Council believes it makes more sense to change entitlement to Council Tax Reduction on a daily



basis. It should be noted that, the proposed new scheme is designed to reduce the number of changes that will affect entitlement in any event.

**The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It is in line with the way that Council Tax is charged and operated ; and
- The change is simple and administratively easy to incorporate within the scheme.

**The drawbacks of doing this are:**

- There are no draw backs to this option.

### Option 13

**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**

The current scheme has a provision which allows the authority to backdate a claim for a maximum of 1 month where the applicant can prove that there is a ‘good cause’ for the delay in claiming and provide evidence to that effect.

The meaning of ‘good cause’ is determined by legislation and case law relating to the previous Council Tax Benefit scheme. The Council feels that ‘good cause’ is no longer appropriate for the new scheme as it is too restrictive. It is therefore proposed that this be removed from the scheme and replaced by a general discretion of the Council to allow claims to be backdated.

**The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It will allow more flexibility in cases where there has been a genuine reason for not applying earlier; and
- The change is simple and administratively easy to incorporate within the scheme.

**The drawbacks of doing this are:**

- There are no drawbacks to this change

### Option 14

**Where any entitlement to reduction is less than £1 per week, no award shall be granted**

The current scheme has a provision which allows the authority to pay any reduction that is 1p per week or more. This in effect means that any small change to an applicant’s entitlement, no matter how small, will change their Council Tax liability and their monthly instalments leading to multiple Council Tax demands being issued and instalments being reset. The proposed change will set a minimum award of £1 per week. We any entitlement is calculated as less than £1 per week, no reduction will be given.

**The benefit of this option is:**

- It will make the administration of the scheme simpler;
- It will reduce the number of Council Tax demands issued for minor changes;
- The change is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

- Where an applicant would receive an award of less than £1 per week, no reduction will be granted.

### **Are there any alternatives to changing the Local Council Tax Reduction Scheme?**

We have also thought about other ways to make the administration simpler. These have not been completely rejected (including maintaining the current scheme) and you are asked about them in the Questionnaire.

We will take your views into consideration before making a decision but our view at the moment is that we should not consider these alternatives for the reasons given.

The alternative options are:

#### **1. Continuing with the current scheme**

This would mean higher administration costs and scheme costs generally. Not making these changes would significantly increase the administration of Council Tax Reduction. The current scheme will not work effectively with the Government's Universal Credit system. The multiple changes in Universal Credit inevitably lead to multiple changes in Council Tax Reduction. This would increase the costs for all council tax payers in the District paying towards the scheme. The decision to increase Council Tax may need to be made by voting in a local referendum.

#### **2. Reduce funding to other Council services to pay for additional administration costs**

Keeping the current Council Tax Reduction scheme will mean an increase in administration costs and less money available to deliver other Council services; or

#### **3. Using the Council's reserves (savings) to keep the Council Tax Reduction scheme**

Using our reserves fund the additional administration costs would be a short-term option. Once our reserves have been used they will no longer be available to support and invest in other Council services.

### **What do I do if I want more information?**

You can email us with any enquiries you may have to [LCTSconsultation@sevenoaks.gov.uk](mailto:LCTSconsultation@sevenoaks.gov.uk) (need to set up/confirm)