

COUNCIL TAX REDUCTION SCHEME - 2019/20

Finance Advisory Committee - 5 June 2018

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report provides outline details of the proposed Council Tax Reduction scheme for 2019/2020, which is to be implemented with effect from 1 April 2019.

Portfolio Holder Cllr. John Scholey

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Recommendations to Finance Advisory Committee: That Committee notes the progress so far on proposed changes to the Council Tax Reduction Scheme for 2019/20.

Introduction and Background

- 1 The Council Tax Reduction (CTR) scheme replaced Council Tax Benefit (CTB) with effect from 1 April 2013.
- 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.

Council Tax Reduction and the roll out of Full Service Universal Credit

- 5 The introduction of Full Service Universal Credit (FSUC) in the district on 21 November 2018 will, as experienced in all other FSUC areas, bring a number of challenges to both the administration of Council Tax Reduction and also the collection of Council Tax. Sites currently within FSUC 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 FSUC 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.

Proposed Council Tax Reduction Scheme for 2019/20

- 7 In view of the problems being experienced in FSUC areas, it is proposed that the CTR scheme is fundamentally redesigned to address the problems and issues detailed above.
- 8 Work has been underway since January on a new scheme design, the main features of which are as follows:
 - a. The overall cost of any new scheme will remain the same as at present;
 - b. The changes can only be made to the working-age scheme as the current scheme for pensioners is prescribed by Central Government; and
 - c. The current means-tested scheme will be replaced by a simple income grid model, similar to the one outlined below:

Category		Single (Income range)	Couple (Income range)	+1 Child (Income range)	+2 (or more) Children (Income range)
A	80%	£0 - £X	£X - £X	£X - £X	£X - £X
B	%				
C	%				
D	%				

- d. The levels in each grid will be determined based on:
- i. The overall cost of the scheme;
 - ii. Ensuring the maximum number of applicants possible are protected; and
 - iii. Ensuring that any losses to individual applicants are minimised.
- e. It is proposed that the highest level of discount will be set at the maximum level of support under the current scheme i.e. 80%.
- f. Income ranges and other levels of discount are currently being determined as part of the financial modelling process, which is currently being undertaken;
- g. The scheme allows for variation in household size, with the levels of income for each respective category increasing where an applicant has a partner, and/or dependants;
- h. The minimum CTR award will be set at £1 per week;
- i. Where an applicant has child maintenance payments, it is proposed that the full income disregard within the current scheme is removed. This source of income would therefore be included in the calculation of any entitlement;
- j. 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;
- k. To encourage work, the existing earnings disregards will be replaced by a standard £25 per week disregard across all types of applicant;

Disability benefits, such as Disability Living Allowance and Personal Independence Payment, will continue to be disregarded and, in addition, the support component of Employment and Support Allowance and Carer's Allowance will also be disregarded, again providing additional protection within the scheme;

- l. The full disregard on war pensions and war disablement pensions will continue;
- m. It is proposed that the capital limit be reduced 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;
- n. Extended payments and Second Adult Rebate will be removed; and
- o. 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.

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

- 9 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

10 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

11 As the proposals are a fundamental change to the current approach, full consultation will be required with the Precepting Authorities, organisations and tax payers in the district. The approach to the consultation is yet to be agreed but it will be extensive and likely to last over the summer months.

Key Implications

Financial

The estimated annual cost of the current CTR scheme is £5.6million. The financial modelling for the new scheme is currently being undertaken 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. A full Equality Impact Assessment is being undertaken as part of the scheme creation and financial modelling process. This will be available prior to consultation.

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 11th 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.

A full equality impact assessment on the new CTR scheme will be produced once the financial modelling of the new scheme has been completed.

Appendices None

Background Documents None

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