

## COUNCIL TAX REDUCTION SCHEME 2019/20

### Finance Advisory Committee - 15 November 2018

Report of: Chief Finance Officer

Status: For Decision

Also considered by: Cabinet - 8 November 2018  
Council - 20 November 2018

Key Decision: No

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**Executive Summary:** This report seeks Member's approval to recommend the adoption of a replacement Council Tax Reduction (CTR) scheme for 2019/2020, which is to be implemented with effect from 1 April 2019.

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**Portfolio Holder** Cllr John Scholey

**Contact Officers** Adrian Rowbotham, Ext. 7153  
Heather Gaynor, Ext. 7435

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#### Recommendation to Cabinet

- (a) That the comments of the Finance Advisory Committee to be held on 15 November 2018 be forwarded to Council for consideration.
- (b) To recommend to the Council to adopt the new Council Tax Reduction scheme from the 2019/20 financial year.

#### Recommendation to Finance Advisory Committee

- (a) Noting the decision of Cabinet on 8 November 2018, that the Committee consider the proposed Council Tax Reduction scheme for 2019/20 and forward any comments to Council.

#### Recommendation to Council

- (a) That Council resolves to adopt the new Council Tax Reduction scheme from the 2019/20 financial year as required by S13A and Schedule 1A of the Local Government Finance Act 1992 as amended.
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#### Reason for recommendation

The decision on any amendments to the Council's CTR scheme must be taken by Council. In order to comply with prescribed requirements, the decision of Council must be made by 11 March 2019 in order for the recommended amendments to

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take effect from 1 April 2019.

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## **Introduction and Background**

- 1 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 2 Under the Council Tax Reduction 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 Council Tax Benefit scheme.
- 3 The current scheme (2018/19) for working age applicants is based on the previous Council Tax Benefit means tested, but has been amended since 2013. The following changes currently apply to working age applicants only:
  - a. All working age applicants are required to pay a minimum of 20% towards their Council Tax liability;
  - b. If a person is self-employed, a minimum income floor may be imposed where a person's income is less than expected after two years of trading, this could be based on 35 hours x National Living Wage. There are some exemptions to this.
- 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 Full Service Roll Out of Universal Credit**

- 5 The introduction of Universal Credit within Sevenoaks District will, as experienced in all other areas bring a number of challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. Sites within full service areas have experienced the following:
  - a. The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to loss of entitlement;
  - b. A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Reduction entitlement. On average 40% of Universal Credit 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 through multiple changes with significant additional staff and staff time being needed.
- 6 It is clear that the existing means tested Council Tax Reduction scheme, which is too reactive to change, will not be viable once Universal Credit has

been rolled out fully within the area and the move to a new more efficient scheme from 2019 is now imperative.

## The 2019/20 Council Tax Reduction Scheme

- 7 Cabinet on 12 July 2018 resolved that 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, upon which we should consult be noted. Also that a consultation be launched on the potential introduction of a fundamental redesign to the current CTR scheme for working age claimants.
- 8 The Finance Advisory Committee on 5 June 2018 resolved that the progress at that stage on proposed changes to the CTR scheme for 2019/20 be noted.
- 9 In view of the problems being experienced with Universal Credit, the Council Tax Reduction schemes for Sevenoaks has been fundamentally redesigned to address;
  - a. The problems with the introduction of full service Universal Credit; and
  - b. The inevitable increase in administration costs due to the high level of changes received in respect of Universal Credit.
- 10 Work has been undertaken since January 2018 on a new scheme which is now completed. If accepted by Council, the new scheme will be implemented from 2019/20. The new scheme has a number of features as follows:
  - a. The overall expenditure (cost) of the scheme will remain broadly as at present;
  - b. The changes can only be made to the working age schemes as the current scheme for pensioners is prescribed by Central Government;
  - c. The current means - tested scheme will be replaced by a simple income grid model as shown below:

Following the modelling the original income levels were found to be too low. The ranges have therefore been widened to be as inclusive as possible and to minimise any impact on applicants.

		Weekly Income levels			
Band	Discount %	Single person	Couple with no children	Couple or Lone Parent with one child	Couple or Lone Parent with two or more children
1	80	Passported Benefit			

1	80	£0 - £79.99	£0 - £119.99	£0 - £179.99	£0 - £239.99
2	60	£80 - £129.99	£120- £169.99	£180 - £229.99	£240 - £299.99
3	40	£130 - £179.99	£170 - £219.99	£230 - £279.99	£300 - £349.99
4	20	£180 - £259.99	£220 - £299.99	£280 - £379.99	£350 - £449.99
5	0	£260+	£300+	£380+	£450+

For the sake of clarity all incomes shown within the table above are weekly in accordance with the scheme requirements and definitions.

- d. It is recommended that the highest level of discount will be set at current maximum level of liability (80%) and all current applicants that are in receipt of a ‘Passported Benefit’ such as Income Support, Jobseeker’s Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount;
- e. All other discount levels are based on the applicant’s (and partner’s, where they have one) net income;
- f. 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;
- g. 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;
- h. Where an applicant had 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;
- i. To remove Second Adult Rebate;
- j. To encourage work, a standard £25 per week disregard will be provided against all earnings for all applicant types. This will take the place of the current 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), this has been allowed for within the income levels in the ‘grid scheme’;
- k. Disability benefits such as Disability Living Allowance and Personal Independence Allowance 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 with the scheme

- l. 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 (in addition to the disregard of disability benefits as outlined in k. above)
- m. The total disregard on war pensions and war disablement pensions will continue;
- n. The capital limit under the new scheme will be £6,000. This is a reduction from the current level of £16,000. Any capital below this level will not have any effect on the applicant's entitlement to Council Tax Reduction;
- o. Removes the conditions that prevent certain students from claiming Council Tax Reduction;
- p. Removing extended payment provision;
- q. Changing the CTR claiming process for all applicants who receive Universal Credit;
- r. 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;
- s. Where a request is made to backdate entitlement, the current scheme requires the applicant to prove 'good cause'. The new scheme will replace 'good cause' with a general discretion to backdate, and
- t. The scheme will have a minimum award of £1.00 per week.

#### **How the new scheme will address the problems of full service Universal Credit**

- 11 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 Universal Credit as follows;
- a. **The scheme will require a simplified claiming process.** In the case of Universal Credit applicants *any* Universal Credit data received from the Department for Work and Pensions will treated as a claim for Council Tax Reduction. Where information is received from DWP, the entitlement to Council Tax Reduction will be processed automatically without the need to request further information from the taxpayer. This will have the following distinct advantages namely:
    - i. **Speed of processing** - claims will be able to be calculated automatically and promptly without the need to request further information which inevitably leads to delays;

- ii. **Maximising entitlement to every applicant** - as there will no requirement for Universal Credit applicants to apply, entitlement to Council Tax Reduction will be maximised with a reduced risk of loss of discount or the need for backdating;
  - iii. **Maintenance of collection rates** - the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining the high collection rates currently achieved.
- b. **The income bands are sufficiently wide to avoid constant changes in discount.** The current Council Tax Reduction scheme is very reactive and will alter even if the overall change to the person's liability is 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 effect of this is that Council Tax collection is reduced. The new scheme, with its simplified income banding approach will have the following advantages:
  - i. Only significant changes in income will affect the level of discount awarded;
  - ii. Council Taxpayers who receive Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments.
- c. The new scheme is designed to reflect a more modern approach, where any discount changes it will be effective from the day of the change rather than the Monday of the following week.

#### **Transition to the new scheme and the Council's Exceptional Hardship Policy**

- 12 The Council is mindful that any change in scheme or a transition to a new scheme may result in a change to the entitlement of certain applicants.
- 13 Whilst the new scheme has been designed to protect vulnerable groups and to, where possible, minimise any reductions in entitlement, it is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings.
- 14 The current policy only allows the applicant to apply for exceptional hardship whilst they are in receipt of CTR. An amendment to the policy is recommended to allow an applicant to apply for exceptional hardship where they have been in receipt of CTR within the last 6 weeks. This will allow applicants who no longer qualify to apply for exceptional hardship.

15 The Council is of the opinion that this approach will enable individual applicants to be dealt with in a fair and equitable manner.

### **Public Consultation**

- 16 To effect changes to the CTR scheme, the Council has a legal duty to carry out public consultation and assess the impacts of the proposed changes with regard to equalities. The Council has undertaken a full public consultation over an eight week period, which ended on 17 September 2018.
- 17 An on-line questionnaire was available on the Council's website over the eight week period. A letter was sent to all working-age claimants advising them of the web link and also giving them an option to request a hard copy of the questionnaire. Registered Social Landlords and third sector organisations were also advised of the consultation and encouraged to respond.
- 18 The Council should be mindful of these responses shown at Appendix A. It should be noted that overall, the responses were favourable to the changes proposed.
- 19 Within the report to Cabinet on 12 July, Members endorsed that in response to a complaint to the Council, the consultation was used to establish if a wider issue existed with access to the CTR scheme for those that regard themselves to work in the 'gig economy' (an environment where temporary positions are common and organisations contract with independent workers for short-term engagements). The Council follows standard practice and identifies applicants in this situation as self-employed. Two comments were received in relation to this question, but data indicates it is not a wide or significant issue for claimants.

### **Consultation with Major Preceptors**

- 20 In addition to a full public consultation, the Council also has consulted with the major preceptors namely Kent County Council, Kent Fire and Rescue Service and the Police and Crime Commissioner for Kent
- 21 The preceptors have agreed with the changes proposed and are happy with the approach taken by the Council. Response from Kent County Council stated:
- Based on the stated aims (no detrimental impact on tax base or material change in benefit discounts) we are happy to support this and encourage schemes to be kept up to date with welfare reforms.

### **The new scheme**

- 22 The proposed new scheme document is attached at Appendix C

## **Key Implications**

### Financial

The annual cost of the current CTR scheme is £5.6 million of which £2.7 million relates to working age claimants. It is anticipated that there will be no significant increase in expenditure under the new scheme. Final costs will be calculated once the Council Tax levels for 2019/20 have been set by full Council.

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

Where an individual may suffer exceptional hardship, the scheme will include an exceptional hardship provision which will be met by the collection fund in the same way as Council Tax Reduction.

### 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 full implications of the legislation are addressed with paragraph 10-13 above. The exceptional hardship provision will provide a mechanism enabling the Council to award additional support where it is felt that any applicant may suffer exceptional hardship under the new provisions.

### Equality Impact 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 covering the implications of amending the current scheme and introducing a revised scheme from 1 April 2019 is detailed in Appendix B.

The impact assessment concludes that it would be considered reasonable to continue with the implementation of the new scheme. The income grid scheme proposed ensures that overall spending on council tax discount to support residents will remain in line with the amount spent under the current scheme.

Alongside this, measures to ensure that all passported benefits claimants maintain the highest level of discount and simplifying the claiming process ensure that the objectives of the new scheme are being met.

It is recognised that within this proposal there will be applicants that will receive more discount as a result of the new scheme and there will be applicants that will either receive less discount or no discount at all. The principles on which the scheme are designed ensure that those with the least income and the least amount of savings (capital) are entitled to greater levels of discount.

Reasonable adjustments have been proposed to the scheme to support those that would be worst affected. Firstly, the income grid bands have been revised post-consultation to ensure the scheme delivers on its aim to maintain current spending and to support those on lowest incomes more greatly. Secondly, it is proposed to amend the Exceptional Hardship Policy ensuring it remains accessible to claimants who were in receipt of a discount within the last six weeks. The current Policy is only open to applicant's currently in receipt of a discount and it is recognised this would be insufficient when introducing new scheme rules.

## Appendices

Appendix A - Summary of consultation responses

Appendix B - Equality Impact Assessment

## Background Papers

Proposed Council Tax Reduction Scheme 2019/20

[Council Tax Reduction Scheme - 2019/20 - report to Finance Advisory Committee 05/06/18](#)

[Council Tax Reduction Scheme 2019/20 - report to Cabinet 12/07/18](#)

**Adrian Rowbotham**

**Chief Finance Officer**