

This report will be made public on 10 July 2018



Report Number **C/18/20**

To: Cabinet
Date: 18 July 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Portfolio Holder: Councillor Malcolm Dearden, Cabinet Member for Finance

SUBJECT: COUNCIL TAX REDUCTION SCHEME 2019/20 – CONSULTATION

SUMMARY: The existing scheme for Council Tax Reduction (CTR) has existed in its current form since 1 April 2017. This report sets out draft scheme options that can form the basis for consultation.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to approve the following recommendations because the Local Government Finance Act 1992 requires a local authority to have approved a scheme for the provision of Council Tax Support in 2019/20 by 11 March 2019. Changes are designed to reduce administration for the Council whilst producing a simpler, more transparent scheme for the customer in response to wider welfare reform.

RECOMMENDATIONS:

Cabinet is asked to:

1. To receive and note report C/18/20.
2. To agree for the options to be put forward for the public consultation.
3. To agree the proposed public consultation.

1. BACKGROUND

- 1.1 On 21 December 2016 Full Council considered and approved the Council's Council Tax Reduction Scheme 2017/18. It resolved (minute 161) that:
- 1) Council agree the following for the CTRS scheme from April 2017:
 - a. To agree to introduce options 2, 3, 5, 12 and 13 to align the scheme to Housing Benefit legislation.
 - b. Remove Second Adult rebate (option 11)
 - c. To introduce a standard non-dependant deduction of £10.00 (option 7).
 - d. To introduce a banding cap of D to CTR cases (option 10).
 - e. To introduce a hardship scheme (option 14).
 - 2) Council agree to reducing the maximum level of support for working age applicants from 81.5% to 75% (option 1)
 - 3) Council agree to automatically adjust the scheme to ensure that they are in line with national welfare changes (paragraph 6.4).
- 1.2 Since the introduction of the scheme there have been changes in welfare reform that have required the Council to review the existing scheme and the impact that it will have on residents and the authority in the future.
- 1.3 The introduction of Universal Credit full service from 30 May 2018 in the district will have a significant impact on the Council's CTR scheme. This is a trend being recognised nationally as more schemes are adapted to meet the changing needs of residents.
- 1.4 Any proposed significant changes to the scheme will require a full public consultation and agreement at full Council by 11 March 2019.
- 1.5 Any proposed change would only relate to working age residents as the pensionable age regulations are maintained by Central Government and out of scope for local review.

2. DRIVERS FOR CHANGE

- 2.1 From 30 May 2018 working age residents that apply for 'legacy benefits' (Income Support, JobSeekers Allowance, Employment Support Allowance, Working & Child Tax Credits and Housing Benefit) in the Folkestone JobCentre area will have to claim Universal Credit instead of the legacy benefits.
- 2.2 Under the new benefit scheme claimants will receive once monthly payments encompassing their qualifying benefits. This does not include Council Tax Reduction which remains an administrative function of the Local Authority.
- 2.3 Research in areas where Universal Credit has already rolled out has identified trends in three key areas:
- Low take up of customers in receipt of Universal Credit applying for Council Tax Reduction
 - Large numbers of change in circumstances received by Councils via DWPs data hub. Approximately 40% of UC cases will have an adjustment each month.
 - Collection difficulties with multiple demand notices being issued.

- 2.4 National trends have demonstrated that on average Universal Credit customers receive at least 8 change notifications in a year. Under the existing scheme each change to income would produce a new demand notice for the customer; amending their installments on a regular basis and making it difficult to collect via Direct Debit due to rules around the administration.

3. IMPACT TO THE RESIDENT

- 3.1 Multiple changes for the customer in Universal Credit would result in a knock on effect of multiple changes for the customer in their Council Tax Reduction award. Using the existing scheme, which is a calculation on tapered income, any small change to income can amend the CTR award.
- 3.2 Regular changing of installments can make it difficult for a customer to use Direct Debit as payment method, due to the lead in times that the Council needs to advise the customer of a change before taking payment. Multiple demand notices can also be confusing for residents to keep up with.
- 3.3 Regular changes can also provide the customer with difficulties in budgeting as they would not have a regular payment amount known for their Council Tax. This can lead to difficulties in paying which leads to further action and potential costs to vulnerable residents.

4. IMPACT TO THE COUNCIL

- 4.1 Multiple changes have demonstrated to have a significant negative impact on administration and billing for the Local Authority in areas where UC has already rolled out. Each change that results in a new demand notice will need to be administered by an officer and the demand notice will need to be produced, either by post or email, and sent to the charge payer.
- 4.2 If a resident has a monthly change it may not be possible to collect payments via Direct Debit due to the regular changes. This has been recognised nationally where collection rates for CTR cases have reduced significantly. The worst reported figures are 55% collection which is a significant decrease on local targets (85%). This would have a negative impact on collection and recovery teams.

5. NEW SCHEME FRAMEWORK

- 5.1 Banding schemes have become more common in CTR in areas where Universal Credit has had an earlier impact. One such example is the London Borough of Sutton.
- 5.2 A banding scheme would reduce the number of changes to entitlement and improve opportunities for billing and collection. Whilst the Council still needs to review each change this simplifies the assessment process for officers, treating CTR more as a discount and moving away from it being a benefit with traditional benefit rules.
- 5.3 A banding scheme would also enable the resident to budget their payments as the scheme could operate using a simpler formula that could be used by residents. An example of this can be seen in Table 1.

Table 1

Band	Single Weekly income (£)	Couple Weekly income (£)	1 Child Weekly income (£)	2+ children Weekly income (£)
1-75% discount	0.00 to 110.00	0.00 to 160.00	0.00 to 190.00	0.00 to 270.00
2-55% discount	110.01 to 150.00	160.01 to 190.00	190.01 to 220.00	270.01 to 340.00
3-35% discount	150.01 to 190.00	190.01 to 220.00	220.01 to 270.00	340.01 to 420.00
4-22% discount	190.01 to 280.00	220.01 to 310.00	270.01 to 340.00	420.01 to 495.00

5.4 An example scheme allows a resident to place their total income into a category. They would then use this to work out how much Council Tax they are due to pay. A banding scheme also considers that small changes are less likely to have impacts on the CTR award. Therefore less changes are needed for the issuing of demand notices throughout the year as only significant changes between bands would produce a change in award. This would benefit the customer with less changes to their CTR and less demand notices being produced.

5.5 It is recognised that such a scheme may impact detrimentally on some residents near the bottom of a band. The Council will continue to operate its Exceptional Hardship Payment scheme to support residents showing a need for additional support in their payments.

6. PRINCIPLES OF THE FRAMEWORK

6.1 The main features of a new scheme proposed to be applied across the district are as follows:

- i. The overall expenditure of the scheme will remain as close as at present;
- ii. The changes can only be made to the working age scheme as the current scheme for pensioners is prescribed by Central Government;
- iii. The current means – tested scheme will be replaced by a simple income grid model as shown by table 1;
- iv. The levels in each grid will be determined based on:
 1. Overall expenditure of scheme;
 2. Ensuring maximum number of applicants are protected; and
 3. Ensuring that any losses to individual applicants are minimised.

- v. It is proposed that the highest level of discount will be set at current maximum level of liability (75%) and that 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;
- vi. The levels for all other bands will be determined during the modelling process – this is an ongoing process and will be undertaken regularly through the year to ensure that the final decision of the Council is as accurate as possible and protects applicants from significant change (either positive or negative);
- vii. The scheme framework allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and/or dependants;
- viii. Where an applicant has non-dependants living with them, the new scheme will (either) disregard them or make a standard deduction from any entitlement, this is detailed further in sections 8.9 and 9.1;
- ix. To encourage work the existing earnings disregards will be replaced by a standard £25 per week disregard across all applicant types;
- x. 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. A disability disregard will also be included for all cases where there is a qualifying disability benefit in payment of £40 per week;
- xi. Child Benefit and Child maintenance will continue to be disregarded within the scheme;
- xii. The total disregard on war pensions and war disablement pensions will continue;
- xiii. It is proposed that the capital limit used will be in line with the current scheme;
- xiv. Extended payments will be removed; and
- xv. Student rules will be amended in line with Council Tax legislation. Where there is a liability a reduction will be considered.

7. HOW THE NEW SCHEME FRAMEOWRK WILL ADDRESS THE PROBLEMS OF FULL SERVICE UNIVERSAL CREDIT

7.1 Due to the simplicity of the proposed new scheme framework and by taking a more 'Council Tax discount approach', it will address the problems associated with Universal Credit as follows:

- i. **The scheme framework 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:

a. **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;

b. **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;

c. **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.

ii. **The income bands are wide avoiding 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 where Universal Credit full service has been introduced.

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

a. Only significant changes in income will affect the level of discount awarded; and

b. Council Taxpayers who receive Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments

iii. **A modern approach to changes in entitlement.**

The current Council Tax Reduction scheme is based on an old-fashioned benefit approach which alters entitlement on a weekly basis. The new scheme framework is designed to reflect a more modern approach, notwithstanding that the number of changes will be reduced, where discount changes it will be effective from the day of the change rather than the Monday of the following week;

iv. **A simpler scheme.**

The current Council Tax Scheme document is large, benefits based and unduly complex. The intention is to make the new scheme document simpler, reducing the level of complexity and more understandable to applicants.

8. CONSULTATION

- 8.1 As the proposals are a fundamental change to the current approach, full consultation is required with precepting authorities and with the public.
- 8.2 It is proposed that a consultation is carried out specifically targeting a sample of approximately 5000 Council Tax payers who are a representative sample of those paying Council Tax. This is the same size sample that was consulted on the scheme in 2016. The consultation questionnaire will also be available on the Council's web site and stakeholders such as CAB and Shelter will be directly contacted via email and invited to respond. This forum produced constructive feedback in the previous consultations.
- 8.3 The consultation will be web based. The questionnaire will be anonymous but will ask for basic personal details such as age, disability and CTR entitlement. This will enable the Council to demonstrate the diversity of groups feeding into the process.
- 8.4 A message facility, on Council Tax telephone lines only, will be utilised to more widely advertise the consultation.
- 8.5 Social media outlets and local press will be utilised to promote the consultation.
- 8.6 It should be noted that whilst there is a risk that customers could complete more than one questionnaire to try to influence results; this risk is felt to be low. There was no evidence of this during the previous three consultations. In addition, to completely exclude views of Council Tax payers who have not been specifically invited to respond but who have a view would not be fair.
- 8.7 The timeline for the consultation is drafted in table 2. Dates for presenting the final scheme will be confirmed at a later date but the scheme must be agreed and published by 11 March 2019.

Table 2

Key dates	Activity
30 July 2018	Open consultation
21 October 2018	Close consultation
<i>December 2018</i>	Present results and scheme to Cabinet
<i>Dec 2018 – Jan 2019</i>	Present results and scheme to Council
11 March 2019	Deadline for publishing agreed scheme for 2019/20
1 April 2019	New scheme live

- 8.8 The consultation will offer the choice of remaining with the existing scheme or a new banding scheme, offering examples as part of the information available.
- 8.9 It is also proposed to consider the inclusion of Non-Dependant charges in a new scheme. The cost implications of this with regards to the scheme are listed in table 3 (Non-Dependants are people other than the applicant's partner who are 18 years old or over residing in the property, currently that person would be expected to contribute towards payment of Council Tax of £10.00 per week). Whilst removing these charges would have an adverse cost, officers would not need to request information regarding the additional occupants such as their identification and income, reducing administration significantly and making the scheme simpler to administer and understand.

9. POTENTIAL FINANCIAL IMPACTS OF OPTIONS

- 9.1 The estimated total level of expenditure for the Council Tax Reduction scheme for 2018/19 is £8,572,624. The intention is to maintain expenditure at current levels. The modelled expenditure for 2019/20 based on the new scheme is demonstrated on table 3.

Table 3

	Passported	Single	Couple	1 Child	2+ children
Total working age claims	3,214	566	121	390	611
Impact with Non Dep charges	£0	-£535	+£663	+£23,252	-£12,672
Impact with no Non Dep charges	+£139,381	+£18,237	+£7,963	+£43,588	+£6,099

The total difference to the scheme with Non-Dependant charges unchanged are predicted to have an additional cost of £10,708.

The total difference to the scheme with Non-Dependant charges removed are predicted to have an additional cost of £215,268.

It should be noted that these figures are estimates and can change due to monitoring of the modelling of the scheme.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 A full Equality Impact Assessment, together with the results of the consultation, will be presented to Cabinet once the consultation is closed. At this stage, Cabinet is only being asked to agree draft scheme options that can be put out to consultation. The draft Initial Stage Equality Impact Assessment has been attached (Appendix 1) for reference.
- 10.2 Where an individual may suffer exceptional hardship, the scheme will include provisions to allow for additional support to be given.

11. LEGAL IMPLICATIONS

- 11.1 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

- 11.2 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.*

12. RISK MANAGEMENT

- 12.1 The new scheme framework will inevitably change the amount of discount to some applicants. The modelling suggests that whilst a number will have an enhanced award, where any award is reduced applicants will be able to apply for an exceptional hardship payment.

A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Council not able to maximise collection due to increased demand notices	High	Medium	To review the scheme so that small changes in income are not reflecting in multiple changes to a CTR award with multiple demand notices.
Council not able to recover increase in arrears	Medium	Medium	To utilise resource effectively and administer hardship schemes appropriately.
Negative public reaction to proposals	Medium	Medium	Response from consultation will be taken into consideration when the final Scheme is recommended.
Potential legal challenge to 2019/20 CTRS	Medium	Low	Ensure full consultation has taken place with genuine options and that a proper equality impact assessment has been undertaken.

13. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

13.1 Legal Officer's comments (DK)

There are no legal implications arising directly out of this report other than those already stated in it.

13.2 Finance Officers comments (CI)

There are no financial implications for the current financial year as expenditure will be maintained within the 18/19 budget. Section 9.1 details the potential financial implications for 19/20 onwards of either £10,708 or £215,268 dependent on scheme option. Pending the decision of Cabinet and the outcome of the consultation additional expenditure will need to be built into the budget growth and savings agenda for the budget strategy for 19/20.

13.3 Equalities and Diversities Implications

The council has clearly defined responsibilities in relation to and awareness of those in the most vulnerable situations. It intends to engage with those affected and with

representative groups through the consultation process. A full Impact Assessment will be brought to Cabinet at the same time as the results of the consultation and the final proposed Scheme.

13.4 **Communication comments (MR)**

The suggested approach to consultation is proportionate and should give a representative range of feedback on the proposed changes. The website will be a good central repository for the questionnaire and residents can also be directed to this via social media and news releases.

14 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

14.1 Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Report author: Andrew Hatcher

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14.2 **Appendices:**

Appendix 1 – Equality Impact Assessment

Appendix 2 – Questionnaire