

This report will be made public on 4 December 2018

Report Number **C/18/52**

To: Cabinet
Date: 12 December 2018
Status: 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

SUMMARY: This report recommends the adoption of a replacement Council Tax Reduction scheme for 2019/2020, which is to be implemented with effect from 1 April 2019.

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:

1. To receive and note report C/18/52.
2. To maintain Non Dependant charges within the new scheme.
3. To recommend to Full Council that the new Council Tax Reduction scheme be adopted from the 2019/20 financial year as required by S13A and Schedule 1A of the Local Government Finance Act 1992 as amended.

1. BACKGROUND

- 1.1 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 1.2 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.
- 1.3 The current scheme (2018/19) for working age applicants is based on the previous Council Tax Benefit means test, but has been amended since 2013. The following changes currently apply to working age applicants only:
 - The maximum level of support for working age applicants is set at 75%;
 - Second Adult rebate has been removed;
 - A standard non-dependant deduction of £10.00 has been introduced;
 - A banding cap of Band D has been introduced; and
 - A hardship scheme has been introduced for those applicants suffering exceptional hardship.
- 1.4 The scheme has also been amended each year for general changes in applicable amounts (primarily in relation to disability premiums).

2. COUNCIL TAX REDUCTION AND THE FULL SERVICE ROLL OUT OF UNIVERSAL CREDIT

- 2.1 The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. All 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.
- 2.2. It is clear that the existing means tested Council Tax Reduction scheme, which is too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area. The move to a new more efficient scheme from 2019 is now imperative.

3. THE 2019/20 COUNCIL TAX REDUCTION SCHEME

- 3.1 In view of the problems being experienced with Universal Credit, the Council Tax Reduction scheme has been fundamentally redesigned to address;
- The problems with the introduction of full service Universal Credit; and
 - The inevitable increase in administration costs due to the high level of changes received in respect of Universal Credit.
- 3.2 Work has been undertaken since January 2018 on a new scheme which is now completed. Consultation with the public and the precepting authorities has also taken place. If accepted by Council, the new scheme will be implemented from 2019/20. The new scheme has a number of features as follows:
- The overall expenditure (cost) of the scheme will remain broadly as at present;
 - The changes can **only be made to the working age schemes** as the current schemes for pensioners is prescribed by Central Government;
 - The current means – tested schemes will be replaced by a simple income grid model as in table 1.

Table 1

Band	Single Weekly income (£)	Couple Weekly income (£)	1 Child Weekly income (£)	2+ children Weekly income (£)
1 75% discount	Relevant Benefit			
	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

- 3.3 The principles of the scheme will be as follows:
- It is recommended that the highest level of discount will be set at current maximum level of liability (75%) and all current applicants that are in receipt of a 'relevant benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount;
 - All other discount levels are based on the applicant's (and partner's, where they have one) net income;

- c. 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
- d. 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;
- e. 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), the income levels in the 'grid scheme' are set at a higher rate;
- f. 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;
- g. Child Benefit and Child Maintenance will continue to be disregarded;
- h. Where a person currently receives a disability premium, enhanced disability premium or severe disability premium, a further disregard of £40 per week will be deducted from their net income (in addition to the disregard of disability benefits as outlined above);
- i. The total disregard on war pensions and war disablement pensions will continue;
- j. The capital limit under the new scheme will remain at £16,000 but the rules will be simplified.
- k. Extended payments will be removed; and
- l. The rules for students will be amended in line with Council Tax legislation.

3.4 The removal on non-dependant deductions (3.3d) will mean that less information and evidence needs to be supplied by the customer and that there will be less administration by the Council. However it should be noted that this principle would have an additional cost to the scheme of £215,268 (Folkestone & Hythe share=£32,290) whereas all other principles combined are of similar to cost to the existing scheme. These costs are details in Table 2.

(It is the officer's opinion that maintaining the Non Dependant charge is deemed to be fairer in order that other occupants contribute to the household. This was demonstrated in feedback comments received from the consultation (Appendix 1). The cost of the administration of this element of the scheme is small in comparison to the potential cost of introducing this change.)

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

4.1 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 be 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; and
 - iii. It should be noted that software restrictions will not enable the Council to allow daily changes for reduction as consulted, awards will remain weekly.

5. TRANSITION TO THE NEW SCHEME AND THE COUNCIL'S EXCEPTIONAL HARDSHIP POLICY

- 5.1 The Council is mindful that any change in scheme or a transition to a new scheme may have result in a change to the entitlement of certain applicants.
- 5.2 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.

- 5.3 Where appropriate further support will be given to the applicant.
- 5.4 The Council is of the opinion that this approach will enable individual applicants to be dealt with in a fair and equitable manner.

6 CONSULTATION

- 6.1 The Council has undertaken a full public consultation during the period 30/07/2018 to 21/10/2018. A total of 140 responses were received and a summary of responses is given within Appendix 1.
- 6.2 Appendix 1 also includes comments from an event held for local agencies.
- 6.3 The Council should be mindful of the responses shown at Appendix 1. It should be noted that overall, the responses were favourable to the changes proposed.
- 6.4 In addition to a full public consultation, the Council also has consulted with the major preceptors namely the Kent County Council, Kent Fire and Rescue Service and the Police and Crime Commissioner for Kent
- 6.5 No preceptors have responded with disapproval with the changes or approach taken by the Council

7 THE NEW SCHEME

- 7.1 The proposed new scheme document is attached at Appendix 2.

8. FINANCIAL IMPACT

- 8.1 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 2.

Table 2

	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

All figures demonstrated relate to total Council Tax, Folkestone & Hythe DC share is 15% of figures demonstrated

The total difference to the scheme with Non-Dependant charges unchanged are predicted to have an additional cost of £10,708 (3.3d of this report). This equates to £1,606 for the Folkestone & Hythe share of Council Tax.

The total difference to the scheme with Non-Dependant charges removed are predicted to have an additional cost of £215,268. This equates to £32,290 for the Folkestone & Hythe share of Council Tax.

It should be noted that these figures are estimates.

- 8.2 Final costs will be calculated once the Council Tax levels for 2019/20 have been set by full Council. It is anticipated that there will be no significant increase in expenditure under the new scheme.
- 8.3 There will be no significant financial impact to the Council and the Major Precepting Authorities (Kent County Council, Fire Authority and Police).
- 8.4 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.
- 8.5 It was announced during the Autumn Budget that the rollout of Universal Credit has been further delayed for a new proposed end date of June 2024. Whilst there is no further information currently available to state the further rollout of existing cases for the district it is expected to be a slow and phased process so it is expected that Council Tax Reduction levels would remain steady until this rollout is increased.
- 8.6 The Autumn budget also stated that claimants in receipt of a severe disability premium will no longer be moved onto Universal Credit (until managed migration is confirmed). This means that these cases would remain on legacy benefits until a much later point.

9. LEGAL IMPLICATIONS

- 9.1 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

- 9.2 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.*
- 9.3 The full implications of the legislation are addressed with section 5 of this report. 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.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 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.
- 10.2 A full equality impact assessment on the Council Tax Reduction scheme is included at Appendix 3.

11. RISK MANAGEMENT

- 11.1 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.

12. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

12.1 Legal Officer's comments (DK)

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

Legal Services confirms that the Council has the right to reduce council tax payable to the extent, if any, required by the Council's tax reduction scheme and as the Council thinks fit.

In accordance with the Local Government Finance Act 1992 (as amended), the Council must draft the tax reduction scheme so that it states the reductions applicable to the amounts of council tax payable. If any revision to a tax reduction

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 provisions relating to that reduction or removal as the Council thinks fit.

12.2 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 8.1 details the potential financial implications for 19/20 onwards of either £10,708 or £215,268 dependent on the scheme option. Pending the decision of Cabinet additional expenditure will need to be built into the final budget for 19/20 which will be presented to Council in February 2019.

12.3 Equalities and Diversities Implications

The council has clearly defined responsibilities in relation to and awareness of those in the most vulnerable situations. It has endeavoured to engage with those affected and with representative groups through the consultation process. A full Impact Assessment has been presented as an appendix to this report.

12.4 Communication comments (MR)

A consultation process has been completed with regard to this proposed change and the majority of respondents were in favour of the change. Should the change be approved, the CTR scheme should be more straightforward and easier to understand. If approved, the change should be communicated appropriately to all affected parties.

13 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Report author: Andrew Hatcher

Telephone: 01303 853348

Email: andrew.hatcher@folkestone-hythe.gov.uk

13.2 Appendices:

Appendix 1 – Public Consultation Responses – Summary

Appendix 2 – Full Council Tax Reduction Scheme 2019/20

Appendix 3 – Equality Impact Assessment