

Policy and Resources Committee	
Meeting Date	13 July 2022
Report Title	Council Tax Reduction – Permission to Consult
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Zoe Kent, Revenues and Benefits Manager
Lead Officer	Zoe Kent, Revenues and Benefits Manager
Classification	Open
Recommendations	The Committee is asked to approve that the Council will consult with the public and Major Precepting Authorities on the introduction of a new income banded / grid scheme for working age applicants with effect from 1 st April 2023 to reduce the administrative burden placed on the Council by the introduction of Universal Credit and to better target the overall level of support for the lowest income families.

1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's Council Tax Reduction Scheme with effect from 1st April 2023.
- 1.2 Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
- 1.3 Council Tax Reduction (CTR) was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year.
- 1.4 As with the majority of authorities within England, the Borough Council needs to make changes to the CTR scheme for working age applicants (the scheme for pension age applicants is prescribed by Central Government) in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.
- 1.5 This report requests permission to consult on changes required to the scheme and makes recommendation to members for the 2023/24 scheme.

2 Background and Proposals

- 2.1 Council Tax Reduction (CTR) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
 - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.
- 2.2 Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.
- 2.3 The current Council Tax Reduction scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.
- 2.4 Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.
- 2.5 When Council Tax Reduction was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required working age applicants, to pay a minimum payment of 20%.
- 2.6 Since that time only slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit

The main issues with the current scheme

- 2.7 There are a number of issues with the current scheme that will need addressing if the system is to continue to provide effective support to low-income taxpayers and also if the Council is able to provide the service in an efficient manner. The main issues are as follows:
- The need to assist low-income households and assist in the collection of Council Tax;
 - The introduction of Universal Credit for working age applicants; and
 - The need for a simplification of the scheme.

2.8 Each of the above are examined in detail below:

The need to target support to low-income households and assist in the collection of Council Tax

- 2.9 Since 2013, the introduction of Council Tax Reduction, the majority of authorities, including the Council have required all working age applicants to pay a minimum payment.
- 2.10 As with a large number of authorities, there is a strong view that support should be largely targeted to those on the lowest incomes. This view has gained momentum over the past few years but has been reinforced since the COVID-19 crisis which has had a major effect on incomes generally.
- 2.11 Whilst the principle of all working age households paying 'something' was initially thought to be an approach that would be central to the design of Council Tax Reduction, the reality is that, since its introduction, low-income taxpayers, the poorest households, have been unable to pay the balance leading to additional costs, court, and enforcement action and, in some cases, the amounts demanded have been written off as uncollectable.
- 2.12 The costs of administration of these cases by the Council has increased significantly over the years. These costs are borne solely by the Council.

Council Tax Reduction and the roll out of Universal Credit

- 2.13 The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. All Councils have experienced the following:
- The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to a loss in entitlement;
 - 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
 - The increased costs of administration through multiple changes with significant additional staff and staff time being needed.
- 2.14 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 and with the massive increase in Universal Credit claimants due to the COVID-19 crisis. The move to a new more efficient scheme from 2023 is now imperative.

The need for a simplified approach to the Council Tax Reduction Scheme.

- 2.15 Notwithstanding the introduction of Universal Credit, the existing scheme is based on an 'old fashioned;' means tested benefit scheme. It has major defects namely:
- It is complex for customers to understand and is based on a complex calculation of entitlement;
 - The administration for staff is complex, with staff having to request significant amounts of information from applicants;
 - Staff have to undergo significant training to be proficient in processing claims;
 - The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
 - The administration of the scheme is costly when compared to other discounts for Council Tax.
- 2.16 Clearly there is a need now to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the costs of administration.

The proposed approach for the 2023/24 Council Tax Reduction Scheme

- 2.17 In view of the problems being experienced with the current scheme, it is proposed that an alternative approach be taken from 2023/24. The approach has been to fundamentally redesign the scheme to address all of the issues with the current scheme and in particular;
- (a) The level of support available to the poorest households;
 - (b) The problems with the introduction of full-service Universal Credit; and
 - (c) The significant increase in administration costs due to the high level of changes received in respect of Universal Credit;
- 2.18 Work has been ongoing since early this year on a new scheme. Consultation now needs to be undertaken with the public and the major precepting authorities. If accepted by the Council, the new scheme will take effect from 1st April 2023.
- 2.19 The proposed new scheme has a number of features as follows:
- More targeted support shall be given to those households on the lowest of incomes than in the current scheme, the process for those claiming Universal Credit will be simplified;
 - 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 an example is shown below:

Example bandings for illustrative purposes only

Band	Reduction %	Single	Single plus 1 dependant	Single plus 2 dependants	Couple	Couple plus 1 dependant	Couple plus 2 dependants
		Weekly Income levels					
Band 1	80%	Maximum UC/JSA/ESA/IS	Maximum UC/JSA/ESA/IS	Maximum UC/JSA/ESA/IS	Maximum UC/JSA/ESA/IS	Maximum UC/JSA/ESA/IS	Maximum UC/JSA/ESA/IS
Band 2	80%	Less than £77.50	Less than £162.50	Less than £229	Less than £121.50	Less than £206.50	Less than £273.50
Band 3	60%	£77.50 - £117.49	£162.50 - £202.49	£229 – £268.99	£121.50 - £161.49	£206.50 - £246.49	£273.50 - £313.49
Band 4	40%	£117.50 - £157.49	£202.50 - £242.49	£269 – £308.99	£161.50 - £201.49	£264.50 - £286.49	£313.50 - £353.49
Band 5	20%	£157.50 - £197.50	£242.50 - £282.50	£309 – £349	£201.50 - £241.50	£286.50 - £326.50	£353.50 - £393.50

- It is proposed that the highest level of discount will be available for Band 1 and Band 2, all current applicants who are on a low income or that are in receipt of a ‘passport benefit’ such as Income Support, Jobseeker’s Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount:
- Discount levels from Band 2 are based on the applicant’s and partner’s, (where they have one) net income. **It should be noted that the discount levels and levels of income shown in Table 1 are for example only and will be determined prior to consultation with the major preceptors and the public / other stakeholders;**
- The scheme will allow for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants;
- Ideally there will be no charges made where an applicant had non-dependants living with them. 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 This will be subject to the financial modelling;;
- To encourage work, it is proposed that a standard weekly disregard will be provided against all earnings This will take the place of the current standard disregards and additional earnings disregards. Where a family also receives a childcare disregard (for childcare costs not paid for by Central Government schemes), the income levels in the ‘grid scheme’ are set at a higher rate;
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- Where any applicant, their partner or dependant child (ren) are disabled, a further weekly disregard will be given, thereby maintaining the current level of support to those with disabilities;
- Carer’s Allowance and the Support Component of Employment and Support Allowance will be disregarded;

- Child Benefit and Child Maintenance will be disregarded;
- An amount in respect of the housing element, within Universal credit will be disregarded;
- The total disregard on war pensions and war disablement pensions will continue ensuring that the Council meets its commitments under the Armed Forces Covenant;
- Extended payments will be removed; and
- The capital limit of £6,000 with no tariff (or assumed income) being applied
- The dependant allowance will be capped at two children, this is inline with the change brought in by the Department for Work and Pensions (DWP) in 2017, limiting the amount of children included on claims to two.

How the new scheme will address the problems with the current Council Tax Reduction

2.20 With the simplicity of the proposed scheme and by taking a more 'Council Tax discount approach', it will address the problems associated with the increased administration caused by failings in the current scheme and Universal Credit as follows:

- **The scheme will require a simplified claiming process.** All applicants will see a significant reduction in the claiming process and, where possible, Council Tax Reduction will be awarded automatically. For Universal Credit applicants *any* Universal Credit data received from the DWP 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. These changes will have the following distinct advantages namely:
 - **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
 - **Maximising entitlement to every applicant.** As there will be no requirement for Universal Credit applicants to apply separately for Council Tax Reduction, and for all other applicants, the claiming process will be simplified significantly. Entitlement to Council Tax Reduction will be maximised with a reduced risk of loss of discount or the need for backdating;
 - **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. The increased level of discount will assist all those applicants on the lowest levels of income, again improving the overall collection rate;
- **The income bands will be 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:
 - Only significant changes in income will affect the level of discount awarded;
 - Council Taxpayers who receive Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments; and

- 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.
- 2.21 It should be noted that over 80 local authorities have **already** successfully moved to similar simplified discount based schemes including **all** of the following Kent Authorities:
- Ashford Borough Council;
 - Canterbury City Council;
 - Dartford Borough Council
 - Dover District Council;
 - Folkestone & Hythe District Council;
 - Gravesham Borough Council;
 - Maidstone Borough Council
 - Medway Council;
 - Sevenoaks District Council;
 - Tunbridge Wells Borough Council; and Tonbridge & Malling Borough Council.

Transition to the new scheme and the Exceptional Hardship Scheme

- 2.22 The Council must be 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.
- 2.23 Inevitably, with any change in scheme, there will be some winners and losers although the scheme will be designed to protect the most vulnerable. 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. Where appropriate further support will be given to the applicant.
- 2.24 This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the Council Tax Reduction scheme and fall to be paid through the Collection Fund.

3 Alternative Options

- 3.1 The alternative to introducing a new scheme for Council Tax Reduction from 2023/24 is to leave the existing scheme in place. This would be a short-term option; lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

4 Consultation Undertaken or Proposed

- 4.1 A full consultation will be undertaken in line with the statutory requirements with:

- Kent County Council
- The Kent Police and Crime Commissioner;
- Kent Fire and Rescue Service; and
- The public / other stakeholders including Swale Citizens Advice and registered social landlords including Optivo, Moat and Hyde Housing.

5 Implications

Issue	Implications
Corporate Plan	<p>The objectives and priorities in the corporate plan.</p> <p>Performance is measured through BV9 Percentage of Council Tax collected in year.</p>
Financial, Resource and Property	<p>The current Council Tax Reduction scheme costs approximately £10m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:</p> <ul style="list-style-type: none"> • Kent County Council 74%; • Swale Borough Council 10%; • Kent Police and Crime Commissioner 12%; • Kent Fire and Rescue Service 4%; <p>The approach and 'shape' of the scheme is changing, and the overall approach will be to provide additional support to those households on the very lowest incomes. There is no intention to reduce the level of support available to other households</p> <p>Financial modelling will continue to be undertaken throughout the project.</p>
Legal, Statutory and Procurement	<p>Schedule 1A (3) of the Local Government Finance Act 1992, states: Before making a scheme, the authority must:</p> <ul style="list-style-type: none"> • consult any major precepting authority which has power to issue a precept to it, • publish a draft scheme in such manner as it thinks fit, and • consult such other persons as it considers are likely to have an interest in the operation of the scheme. <p>In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11th March of the year prior to the scheme coming into place</p>
Crime and Disorder	Not directly applicable
Environment and Climate/Ecological Emergency	The reduction in administration together with the removal of notification letters etc. will have a positive environmental impact .

Health and Wellbeing	Residents who have difficulty in paying their Council Tax can put in a claim for a Section 13A discretionary award. Those whose health appears to be affected will be signposted to appropriate advice. The Revenues and Benefits team works with other sections of the authority, CA, financial charities, and the major housing providers in the area to ensure those residents who are struggling with debt or other problems are signed posted to the correct advice and agencies.
Safeguarding of Children, Young People and Vulnerable Adults	Any new scheme will look to protect the most vulnerable and those households on the lowest incomes.
Risk Management and Health and Safety	The risks from changing to a banded scheme will be reviewed through the financial modelling.
Equality and Diversity	The move to the new scheme will either have a neutral or positive affect to the majority of working age claimants. As with all changes however there will be some claimants who may receive less support that previous. In all of those cases, further support will be available through the Council’s Exceptional Hardship Fund. A full EIA will be completed once the full modelling has been undertaken and the consultation process has been completed
Privacy and Data Protection	<i>All requirements have been adhered to.</i>