

<b>Policy and Resources Meeting</b>	
<b>Meeting Date</b>	16 October 2024
<b>Report Title</b>	Council Tax Reduction Scheme 2025/26
<b>EMT Lead</b>	Lisa Fillery, Director of Resources
<b>Head of Service</b>	Zoe Kent, Head of Revenues and Benefits – Mid Kent
<b>Lead Officer</b>	Zoe Kent, Head of Revenues and Benefits – Mid Kent
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. That the Policy and Resources Committee note the progress of the income banded Council Tax Reduction Scheme.</li> <li>2. That the Policy and Resources Committee recommends to Council that the scheme is not changed for 2025/26, except to amend the income bands to align with DWP benefit changes. That this amendment is delegated to the Director of Resources.</li> </ol>

## **1 Purpose of Report and Executive Summary**

- 1.1 The purpose of this report is to recommend the implementation of the Council's Council Tax Reduction Scheme with effect from 1<sup>st</sup> April 2025.
- 1.2 Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of 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 This report recommends that no changes are made to the format of the banded scheme for the financial year 2025/26. It is however recommended that the income amounts within the banded grid are increased in line with the DWP annual percentage uprating increase.

## **2 Background**

- 2.1 The CTR scheme was introduced in April 2013 as a replacement for Council Tax Benefit. It is a national scheme administered on behalf of the Department for Works and Pensions (DWP). In localising the scheme, the government reduced council funding by 10 per cent meaning that the scheme is in effect, paid for by all other Council taxpayers as the scheme reduces the taxbase. The cost of the scheme falls heavily on KCC as well as the Police and Fire authorities. As a

result, and to encourage each district to produce a scheme that was broadly consistent across the county, the major precepting authorities agreed to pay each district a grant towards the administration of the scheme. For Swale in 2023/24 the payment was £134,000.

- 2.2 In introducing the scheme in 2013, the Council made a number of changes to other exemptions and discounts so as to limit the impact of the change on the working age population (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.
- 2.3 Since its introduction in April 2013, the local scheme has been refreshed annually for general changes in applicable amounts (primarily in relation to disability premiums) and taking into account the introduction of Universal Credit. The scheme is consistent with most other councils in Kent.
- 2.4 CTR provides financial assistance in the form of a rebate on the Council Tax bill and this has generally increased over recent years since the Covid pandemic.

2018/19 £8,854,129  
2019/20 £8,602,987  
2020/21 £9,680,057  
2021/22 £10,000,329  
2022/23 £10,025,014  
2023/24 £10,241,101  
2024/25 £10,864,960

- 2.5 The introduction of Universal Credit Full Service (UCFS) in December 2017 brought challenges to both the administration of CTR and the collection of Council Tax.
- 2.6 The number of changes that customers have to Universal Credit meant there were constant amendments to Council Tax liability, meaning re-calculation of instalments, delays, and the re-issuing of Council Tax bills.
- 2.7 As a result, in 2020 the scheme was changed so that Universal Credit working age claims were only reviewed 3 times a year. This helped to reduce the amount of work however it was still felt that further improvements could be made by changing to a banded scheme.
- 2.8 In 2022, the Council consulted on a more significant change to the scheme which saw the introduction of a banded scheme which was largely supported by the consultation (which is consistent with other Kent authorities). The scheme has an in-built, simplified claiming process with wide income ranges. As with the previous scheme, working age applicants, irrespective of their financial circumstances, are required to pay a minimum of 20 per cent towards their Council Tax liability.

- 2.9 The new banded scheme meant that constant liability changes have been avoided, and revised bills are only issued where income crosses into another income band. This has made it less cumbersome for customers and has allowed us to convey a relatively simple eligibility and understanding of the income banded scheme.
- 2.10 There is now a better understanding by claimants of how much they are required to pay towards their Council Tax. It is also helping, that a claimant's income can go up and down and unless it moves them to a different band the amount they need to pay will stay the same. There has also been a reduction in the number of entitlement letters and adjustment notices that are issued.
- 2.11 Table 1 shows the income banded scheme for single claimants, couples, lone parents with one or two or more children and couples with one or two or more children. Passported in the table refers to legacy benefits (job seekers allowance, income support, and employment and support allowance) for customers who have not migrated to Universal Credit.

**Table 1**

<b>Band</b>	<b>Discount</b>	<b>Single Person</b>	<b>Couple</b>	<b>Lone Parent with one child or young person</b>	<b>Couple with one child or young person</b>	<b>Lone Parent with two children or young persons</b>	<b>Couple with two children or young persons</b>
<b>1</b>	80%	£0 to 101.38	£0 to £154.73	£0 to £160.06	£0 to £213.41	£0 to £234.75	£0 to £288.10
<b>2</b>	60%	£101.39 to £149.38	£154.74 to £202.74	£160.07 to £213.41	£213.42 to £266.76	£234.76 to £288.10	£288.11 to £341.45
<b>3</b>	40%	£149.39 to £202.74	£202.75 to £256.09	£213.42 to £266.76	£266.77 to £320.11	£288.11 to £341.45	£341.46 to £394.80
<b>4</b>	20%	£202.75 to £288.10	£256.10 to £341.45	£266.77 to £341.45	£320.12 to £394.80	£341.46 to £426.81	£394.81 to £480.16
<b>5</b>	0%	Over £288.10	Over £341.45	Over £341.45	Over £394.80	Over £426.81	Over £480.16

## **2 Proposals**

- 2.1 This is the second year of the banded scheme, it is advisable to not make any major changes to the scheme at this time.
- 2.2 The automation of the Universal Credit information that is received from the DWP on a daily basis has significantly reduced the amount of work that has to be dealt with by the team. Around 100 notifications are received a day, of these between 60% to 70% are automated.

2.3 It is however proposed that the amounts within the grid are increased by the DWP annual uprating amount for 2024/25 (to meet the levels of Universal Credit basic allowance before premiums up to two children for those not working). This means that claimants stay within their correct bands when their state benefits are increased. If the grid is not changed claimants may drop to a lower band meaning they are not receiving the correct level of support.

## 4 Alternative Options Considered and Rejected

4.1 The bands within the income-band grid could be changed, for example we could decide to combine the single and couple bands, change the number of bands or the percentage of the award for each band. This is not recommended because the bands are awarding the majority of claimants the same level of support they were receiving under the previous scheme. This ensures the council is providing a consistent amount of support in line with most other Kent authorities. Increasing the amount of support could have detrimental effect on the local taxpayers. Increasing the cost may mean other services would need to be reduced.

4.2 The scheme could return to the previous model not using a banded approach. This is not recommended because the current scheme is working well, and it would increase the administration needed to assess claims.

## 5 Consultation Undertaken or Proposed

5.1 A consultation was carried out in autumn 2022, this showed that most respondents were in agreement with the changes to the scheme. Appendix I gives an overview of the consultation results.

5.2 If changes are not recommended to the scheme, we are not required to carry out a consultation. The percentage change to the grid figures would not change the amount of support claimants receive. It should be cost neutral in the majority of cases.

## 6 Implications

Issue	Implications
Corporate Plan	The objectives and priorities in the corporate plan. Performance is measured through BV9 Percentage of Council Tax collected in year.
Financial, Resource and Property	The current Council Tax Reduction scheme costs approximately £11m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions: <ul style="list-style-type: none"> <li>• Borough Council (11%)</li> <li>• The County Council (73%)</li> </ul>

	<ul style="list-style-type: none"> <li>• Police and Crime Commissioner (12%)</li> <li>• Fire and Rescue Service (4%)</li> </ul> <p>The approach and 'shape' of the scheme will remain the same as the current scheme, and the overall approach will be to target support to low-income households although the maximum level of support remains in line with the current scheme.</p>
Legal, Statutory and Procurement	<p>Schedule 1A (3) of the Local Government Finance Act 1992, states:</p> <p>Before making a scheme, the authority must:</p> <ul style="list-style-type: none"> <li>• consult any major precepting authority which has power to issue a precept to it,</li> <li>• publish a draft scheme in such manner as it thinks fit, and</li> <li>• consult such other persons as it considers are likely to have an interest in the operation of the scheme.</li> </ul> <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> <p>The Council has followed the legal requirements throughout.</p>
Crime and Disorder	Not directly applicable
Environment and Climate/Ecological Emergency	<p>The recommended scheme provides a modern, efficient scheme which is more straightforward for staff to administer.</p> <p>By reducing the number of changes made to entitlement, the scheme minimises the effect on the environment.</p>
Health and Wellbeing	<p>Council Tax Reduction is essential for low-income households. Ensuring that it is paid correctly to all applicants who may be entitled, will assist the health and wellbeing of working age low-income households.</p>
Safeguarding of Children, Young People and Vulnerable Adults	<p>The proposed scheme contains provisions for dealing with vulnerability and protects both families, applicants who are disabled and carers.</p> <p>In all cases, where an applicant is of the opinion that they require additional support, they may apply to assistance under the Council's Exceptional Hardship Scheme.</p>

Risk Management and Health and Safety	Not directly applicable
Equality and Diversity	<p>The public sector equality duty requires decision-makers to have due regard to the need to eliminate unlawful discrimination and advance equality of opportunity right throughout the decision-making process. A full Equality Impact Assessment was carried out prior to the changes that were brought in for the 2023/24 scheme, this is included within Appendix II.</p> <p>As we are not recommending changes to the 2025/26 scheme, an Equality Impact Assessment is not required.</p>
Privacy and Data Protection	All requirements have been adhered to.

## 7 Appendices

- 7.1 The following documents are to be published with this report and form part of the report:
- Appendix I: Responses from the public consultation 2022
  - Appendix II: Equality Impact Assessment 2022

## 8 Background Papers

Council Tax Reduction Scheme 2024/25 – to follow