

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

05 June 2019

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 COUNCIL TAX REDUCTION SCHEME 2020/21

The existing scheme for Council Tax Reduction (CTR) has existed in its current form since 1 April 2017. This report updates Members on the progress of the review. Members are asked to note the progress and key issues raised, and subject to a further report to this Board in July, agree to go to public consultation during Summer 2019.

1.1 Introduction

- 1.1.1 On 1 November 2016, Full Council considered and approved the recommendations of Cabinet in respect of the Council Tax Reduction Scheme (CTR) for 2017/18. (Minute C 16/73 1 November 2016 refers).
- 1.1.2 The recommendations in respect of the Scheme followed a public consultation and work with other local authorities Kent-wide in order to provide 'similar' schemes throughout Kent and avoid where possible 'postcode lotteries'.
- 1.1.3 Since the introduction of the scheme, there have been changes in welfare reform that now make the scheme outdated and in need of further review.

1.2 Drivers for Change

- 1.2.1 The introduction of Universal Credit full service from 21 November 2018 in the district is now having an 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.
- 1.2.2 The Universal Credit full service was introduced by the Department for Work and Pensions (DWP) in phases throughout Kent and the Tonbridge & Malling area was one of the later adopters. Those districts that moved to the full service earlier in the process have found that the impact is significant and indeed three such councils in Kent have already introduced changes to their CTR schemes from 1 April 2019 to combat this.

1.2.3 Why is there such an impact? Research in areas where Universal Credit has been in operation for some time 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 the DWPs data hub. Approximately 40% of UC cases will have an adjustment each month.
- Collection difficulties with multiple demand notices being issued.

1.2.4 National trends have demonstrated that, on average, Universal Credit customers receive at least 8 change notifications in a year, and some receive significantly more than that. Under the existing CTR scheme (which is a calculation on tapered income, meaning that any small change to income can amend a CTR award), each change to income would produce a new demand notice for the customer, amending their instalments on a regular basis. This can be very confusing, making it hard for a claimant to budget appropriately.

1.2.5 In terms of collection, regular changes make it difficult to collect payments via Direct Debit (DD) due to rules around the administration of DD. Nationally, research has shown that regular changes to CTR awards affect collection rates significantly.

1.3 Proposed New Scheme Framework

1.3.1 As Members were advised at this Advisory Board in January, The CTR scheme for 2020/21 is currently being reviewed by a group of officers acting on behalf of Kent. The aim is to simplify and reduce the cost of administration of the scheme by moving away from a means tested reduction to an income-banded scheme more aligned to council tax discounts than benefits.

1.3.2 Banding schemes have become more common in areas where Universal Credit has had an earlier impact, and as I said at paragraph 1.2.2, three councils in Kent have already taken this step.

1.3.3 An income-banded scheme would reduce the number of changes to entitlement making it simpler for the claimant to understand and budget; and at the same time 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.

A simplistic **example** of a banded scheme can be seen in Table 1. This does not mean that this is the scheme that TMBC would introduce – it simply gives an **illustration** of how it might work in practice.

| Table 1 Band | Single | Couple | 1 Child | 2+ children |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Weekly income (£) | Weekly income (£) | Weekly income (£) | Weekly income (£) |
| 80% discount (say) | 0.00 to 110.00 | 0.00 to 160.00 | 0.00 to 190.00 | 0.00 to 270.00 |
| 55% discount (say) | 110.01 to 150.00 | 160.01 to 190.00 | 190.01 to 220.00 | 270.01 to 340.00 |
| 35% discount (say) | 150.01 to 190.00 | 190.01 to 220.00 | 220.01 to 270.00 | 340.01 to 420.00 |
| 22% discount (say) | 190.01 to 280.00 | 220.01 to 310.00 | 270.01 to 340.00 | 420.01 to 495.00 |

This is for ILLUSTRATIVE PURPOSES only to show how a banded scheme works and may not mirror the proposals that come forward in due course.

1.4 Key Issues

- 1.4.1 In proposing new Schemes, across Kent we are working on the premise that the overall cost envelope will remain as close to the current cost as possible (in other word, we are not looking to deliver “savings” from this review).
- 1.4.2 Alongside the review of the schemes, in parallel with the review of the local schemes, representatives from the Kent district councils are working with the major precepting authorities (i.e. Kent County Council, Kent Police & Crime Commissioner and Kent Fire & Rescue) to formulate a new funding ‘model’ for assistance towards the administrative costs of running the schemes. This is in recognition of the fact that the operation of a scheme, as it stands or with changes, has a cost borne by each billing authority but benefited by the major preceptors through Council Tax receipts.
- 1.4.3 It is, of course, recognised that whenever changes to a scheme are made, there may be a detrimental impact on some residents near the bottom of a band. It is suggested that the Council continues to operate its Exceptional Hardship Payment scheme to support those residents who suffer from any disproportionate impacts.
- 1.4.4 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.
- 1.4.5 Options are currently being put together for the new Scheme, and this will be presented to the Advisory Board at its meeting on 17 July.
- 1.4.6 As previously mentioned at this Board, we will need to go out to public consultation during Summer 2019 with the proposals and options for a new scheme.

1.5 Legal Implications

- 1.5.1 The legislative framework for council tax reduction schemes is contained within the Local Government Finance Act 2012.

- 1.5.2 The Council has a statutory duty to consult on a proposed scheme. Case-law has determined the guiding principles for fair consultation, which we will follow. Regard will be made to the rules around consultation laid out through the Supreme Court Ruling in the case of R (on the application of Moseley) v London Borough of Haringey (2014) and in particular, the need to set out alternative choices within the consultation.

1.6 Financial and Value for Money Considerations

- 1.6.1 The cost of awards made under CTRS impact on the declared taxbase and thereby the council tax yield. If the cost of awards were to be reduced, this would mean that the Council's taxbase could increase and overall council tax income could increase. Conversely, if the cost of awards were to increase through adjustments to the scheme, this would mean the Council's taxbase would reduce.
- 1.6.2 As outlined at paragraph 1.4.2, work with the major precepting authorities is underway Kent-wide for assistance towards the administrative costs of running the schemes.
- 1.6.3 A budget has been provided for consultation costs in 2019/20.

1.7 Risk Assessment

- 1.7.1 The Council is not obliged to amend its CTR scheme, but the consequences of not doing so within the context of other welfare reforms that have taken place have been outlined in this report.

1.8 Equality Impact Assessment

- 1.8.1 Decision-makers are required under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.
- 1.8.2 A preliminary Equality Impact Assessment will be presented to Members in July prior to agreeing the proposals and options for the scheme, and going out to public consultation.

1.9 Policy Considerations

- 1.9.1 Equalities/Diversity
- 1.9.2 Communications
- 1.9.3 Customer Contact

1.10 Recommendations

1.10.1 Members are **RECOMMENDED** to:

- 1) **Note** the progress being made and key issues being addressed in respect of the review of the Council Tax Reduction Scheme for 2020/21
- 2) **Agree** that a report should be submitted to the next meeting of this Advisory Board on 17 July which detailed proposals and options for consideration and consultation;
- 3) Subject to the content of the report in July, **endorse** the proposal to go out to public consultation during Summer 2019.

The Director of Finance & Transformation confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

Nil

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