

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

17 July 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 report updates Members on the review of the Council Tax Reduction Scheme. Members are asked to agree the broad scheme framework for progression.

1.1 Introduction

1.1.1 At this Board on 5 June 2019 Members considered and approved the recommendations 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

1.2 Key Issues

1.2.1 I must emphasise, in proposing a new Scheme, across Kent we are working on the premise that the overall cost envelope will remain as close to the current cost as possible - we are not looking to deliver "savings or cuts" from this review, but to meet the changing needs of a Scheme.

1.2.2 Detailed modelling of proposed changes is necessary to assess the financial impact on residents and our Budget. Analysis will be used to validate options for consultation and inform equality impact assessments. Modelling is currently underway and expected to be completed over the next month.

1.2.3 Any proposals must be made with consideration to the technical constraints placed by the software used to administer the Scheme.

- 1.2.4 In parallel with the review, representatives from the Kent district councils are working with the major precepting authorities to formulate a revised 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 to the benefit of major preceptors, ie Kent County Council, Kent Fire & Rescue, Kent Police & Crime Commissioner, through Council Tax receipts.
- 1.2.5 It is recognised that whenever changes to a scheme are made, there may be detrimental impact on some residents. It is suggested that the Council continues to operate its Exceptional Hardship Payment scheme to support those residents who suffer from any disproportionate impacts.
- 1.2.6 Any proposed change would only relate to working age residents as the scheme for pension age applicants is prescribed by Central Government and cannot be amended.
- 1.2.7 Each Council must undertake public consultation prior to adopting a new Scheme. The consultation on proposals and options for a new Scheme will need to take place in late Summer / Autumn 2019.

1.3 Proposed New Scheme

- 1.3.1 As mentioned at the meeting in June, a group of Finance Officers from the Kent districts have been working closely together in setting the objectives of the review, and maintaining a common approach to the design of the local schemes. A consultant has been appointed on behalf of the Kent districts and major precepting authorities, all sharing the associated costs. The consultant has been assisting in the evaluation of alternative scheme models, the public consultation process and with the equality impact assessment documents.
- 1.3.2 The aim of the exercise is to simplify and reduce the cost of administration of the scheme whilst keeping the overall expenditure of the replacement scheme cost neutral. That is, although there may be some individual households who win or lose under a new scheme, in total a similar amount of financial support will remain across the Borough.
- 1.3.3 The necessity to change our current reduction scheme is driven by the ongoing migration of housing benefit claims to Universal Credit (UC). Universal Credit is replacing housing benefit in the Borough for most working age households. Currently around 100 households per month are moving on to the new benefit, with a complete transfer due sometime before 2024.
- 1.3.4 Individual Universal Credit awards are assessed each month by the Department for Work and Pensions (DWP). With automated transfer of data between the DWP and Council computer systems, the continual UC recalculations cause frequent changes to a household's Council Tax Reduction (CTR) award. Under our current scheme, a change as little as a penny in a UC award will trigger a re-assessment

for CTR, generating a new council tax bill, notification letters and probably adjusting the timing and amounts of monthly instalments, causing excessive administration for the Council and confusion for householders. As the number of households assisted with UC and CTR increases, so does the administrative burden and cost for the Council.

- 1.3.5 The proposal is to move from a means tested reduction towards an income based discount. The implementation of a set of income bands and associated fixed discounts will create a simplified, easy to understand and administer scheme. Banding schemes have become more common in areas where Universal Credit has had an earlier impact. The basis of the proposed scheme is to calculate the total income of the applicant and partner, make some allowance for the household composition and apply a percentage discount on the Council Tax bill.
- 1.3.6 An income-banded scheme would reduce the number of changes to entitlement making it simpler for the claimant to understand and to budget; and at the same time improve efficiency of 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 complex benefit rules.
- 1.3.7 For similar reasons, three Districts in Kent went through this exercise last year, introducing 'banded' schemes from 1 April 2019. We are fortunate that representatives from these Councils attend our meetings, sharing experiences and providing advice. Early indicators show success in achieving the aims we are seeking.
- 1.3.8 An **example** of a banded scheme can be seen in **Table 1** below where households are distinguished by those with and without children, while the discount figure is the level of discount from the council tax bill.

1.4 Table 1: Example Banded Scheme

Discount	Single Weekly Income (£)	Couple Weekly Income (£)	1 Child Weekly Income (£)	2+ Children Weekly Income (£)
80%	0 – 110	0 – 160	0 – 190	0 – 270
60%	110.01 – 150	160.01 – 190	190.01 – 220	270.01 – 340
40%	150.01 – 190	190.01 – 220	220.01 – 270	340.01 – 420
20%	190.01 – 280	220.01 – 310	270.01 – 340	420.01 – 495

1.4.1 The Council is currently considering consultation on the following changes for the scheme for 2020/21;

- Introducing a banded scheme incorporating an income 'grid' for all working age applicants replacing the current means tested approach which was based on the previous Council Tax Benefit scheme (Option 1)
- Limiting the number of dependent children used in the calculation of support to two for *all* working age applicants (Option 2)
- Changing the claiming process for all applicants who receive Universal Credit to make it easier (Option 3)
- Removing the current earnings disregards and replacing them with a standard disregard of £25 (Option 4)
- Disregarding Carer's Allowance which is currently taken into account as income (Option 5)
- Introducing a special disregard to off-set losses of certain disability premia (Option 6)
- Disregarding the Support element of any Employment and Support allowance (Option 7)
- Introducing a Minimum Income Floor for self-employed applicants of £250 from the date of claim (Option 8)
- Reducing the current capital limit from £16,000 to £6,000 (Option 9)

1.5 Alternative Choices

1.5.1 The consultation questionnaire will ask if changes should be made to our current scheme and seek opinion as to how rising costs could otherwise be met, such as:

- Raising Council Tax, which may require a local referendum
- Use of reserves, perhaps a short-term option but does not represent a sustainable solution and may divert investment in other Council services

- Increasing charges for other services, raising fees and charges to customers for services that are already chargeable to support a Council Tax Reduction Scheme
- Further cuts to Council services (*over and above those already required through the MTFS*) to fund the scheme

1.6 Consultation

- 1.6.1 Over the coming weeks, most Kent district councils will report similarly to their Members to seek authority to proceed in the way outlined within this report.
- 1.6.2 The Council has a statutory duty to consult on a proposed scheme. Case-law has determined the guiding principles for fair consultation. 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.
- 1.6.3 The guiding principles which have been established through case-law for fair consultation are as follows:
- The consultation must be carried out at a stage when proposals are still at a formative stage
 - Sufficient information on the reasons for the decision must be provided to permit the consultees to carry out intelligent consideration of the issues and to respond
 - Adequate time must be given for consideration and responses to be made
 - The results of the consultation must be properly taken into account in finalising any decision
- 1.6.4 In addition, an Equality Impact Assessment (EQIA) is necessary to consider the effect of potential changes on groups with protected characteristics. A full EQIA will be prepared and considered prior to any final decisions being taken.
- 1.6.5 The Kent Finance Officers' group are currently working closely with the consultant in order to prepare robust and consistent consultation material that can be individually branded by each participatory District. The group's agreed project timetable anticipates consultation commencing in August/September and allowing a minimum of 8 weeks for members of the public and other relevant stakeholders to comment.
- 1.6.6 The consultation will be primarily web based, but it will be important to write to all claimants to draw their attention to the consultation. Paper copies of the questionnaire will be available on request. Additionally, it will be important to solicit qualitative feedback from stakeholder groups such as the CAB, local debt advice

agencies, registered social landlords and other organisations with a significant interest. There is also a duty to consult with the major precepting authorities.

1.6.7 Given the tight timescales we are all working towards, through this report I am **seeking delegated authority for me to finalise the consultation material and undertake the consultation in liaison with the Chair, Vice Chair and Cabinet Member for Finance, Innovation & Property** taking on board any thoughts or observations Members may have.

1.6.8 My intention is to report details of the consultation to the Board at our next meeting of 18 September 2019. By this point in time the consultation should be underway.

1.6.9 Following the consultation, review of its outcomes and full equality impact assessment, a further report will be made to the Board at our meeting scheduled for 8 January 2020. I then propose to take forward comments and recommendations to the Cabinet meeting of 28 January 2020 for the Council Tax Reduction Scheme 2020/21 to be adopted by Full Council 18 February 2020.

1.7 Legal Implications

1.7.1 The Council has a statutory duty to consult on a proposed scheme.

1.8 Financial and Value for Money Considerations

1.8.1 The cost of consultancy has been shared by all Kent authorities. TMBC's share of this cost is under £500.

1.8.2 It is anticipated that there will be some (limited) direct costs associated with the consultation process which will be funded from the Council Tax Support budget.

1.8.3 With the objective for a new scheme to remain cost neutral there will be minimal impact on the Council Taxbase, removing the risk of a new scheme creating a budget discrepancy within 2020/2021.

1.9 Risk Assessment

1.9.1 If consultation is not carried out appropriately, there is a risk of challenge once a decision is taken.

1.10 Equality Impact Assessment

1.10.1 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.

1.10.2 A first stage Equality Impact Assessment (EQIA) will be made available to the Chair, Vice Chair and Cabinet Member for Finance, Innovation & Property prior to finalising the consultation material.

1.10.3 A full equality impact assessment report reviewing the impacts of the findings of the consultation results will be provided to the Board at the January meeting.

1.11 Policy Considerations

Equalities/Diversity; Communications, Financial Strategy

1.12 Recommendations

1.12.1 The Director of Finance and Transformation is delegated authority to finalise consultation material and undertake the consultation in liaison with the Chair, Vice Chair and Cabinet Member for Finance, Innovation & Property.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton

Director of Finance & Transformation