

**Classification: Public**

**Key Decision: No**

## **Gravesham Borough Council**

**Report to:** Cabinet

**Date:** 4 October 2021

**Reporting officer:** Pat Knight, (Head of Revenues and Benefits)

**Subject:** Council Tax Reduction Scheme 2022-2023

### **Purpose and summary of report:**

To update Members on the progress made on the review of the existing Council Tax Reduction Scheme and to seek approval to proceed with a public consultation on changing the existing Council Tax Reduction Scheme from April 2022.

### **Recommendations:**

1. Members note the work undertaken on the review of the current Council Tax Reduction (CTR) Scheme.
2. Members agree to proceed with a public consultation with a view to changing the Council Tax Reduction Scheme from April 2022 as set out in Section Two of this report.
3. Members agree the draft consultation documents (Appendix 3) and give delegated authority to the Director (Corporate Services), in consultation with the Leader of the Executive and Portfolio Holder for Performance & Administration to finalise the consultation documents.

### **1. Background**

- 1.1 Since 2013-2014 the council has had to consider annually whether to revise its CTR scheme or to replace it with a replacement scheme. Any revision to the CTR scheme or a replacement CTR scheme must be the subject of consultation.
- 1.2 The CTR scheme consists of two main streams namely working age claimants and pension age claimants. The scheme in respect of working age claimants requires Full Council approval at Members' discretion, whilst the scheme in respect of pension age claimants is set on a national basis. Consequently, any changes made to the council's scheme will not affect pension age households.

- 1.3 The current 2021-2022 council scheme is a 'means-tested' scheme with a maximum discount of 80% of Council Tax for most working age households and 100% for pension age households. Eligibility to receive CTR is based on demonstration of claimants' income and capital being below specified limits. Of *the 43,780 households in the Gravesham area as at 31 August 2021*, 6,477 households are in receipt of CTR (consisting of 4,028 working-age claimants and 2,449 pension age households). The current scheme is available from the following link:  
[https://www.gravesham.gov.uk/\\_data/assets/pdf\\_file/0008/319733/Council-Tax-Reduction-Scheme.pdf](https://www.gravesham.gov.uk/_data/assets/pdf_file/0008/319733/Council-Tax-Reduction-Scheme.pdf)
- 1.4 The current CTR scheme for working age claimants is based on the previous Council Tax Benefit scheme (which ended in 2013) which was assessed alongside Housing Benefit. However, despite an annual review, the shortcomings of the current scheme for claimants are becoming more evident and include:-
- The traditional link between the CTR scheme and Housing Benefit has been eroded as any new claims by working age applicants are now considered under the Universal Credit scheme, which is administered by the Department for Work and Pensions (DWP) with a separate application for CTR being made to the council.
  - Claimants may be unaware that CTR is separate to Universal Credit requiring a separate application with different eligibility criteria. This is despite the service working closely with DWP to promote this requirement.
  - Claimants have to provide information in support of their separate CTR claim despite already having provided similar supporting evidence to DWP for their Universal Credit application. This causes confusion and further delay to assessing and ultimately applying any entitlement to their council tax account.
  - Failure to make a separate claim for CTR can result in council tax arrears occurring and recovery action being implemented. Any delay in making a CTR claim could result in a loss of CTR eligibility as the maximum period to backdate is currently one month. This has the potential to increase the council tax arrears of the resident and result in them incurring additional costs due to court action and enforcement agents being engaged to collect any 'debt', and necessitate extended repayment arrangements or support.
  - The impact of Universal Credit on the current CTR scheme has been confusing for claimants and a source of complaint. The multiple monthly changes in Universal Credit inevitably lead to multiple changes in CTR. Some of these changes in income could literally be less than one pound. Each change requires the issue of a new council tax bill and an accompanying notification letter.
- 1.5 It is essential that any new scheme for working age claimants should be simpler, more transparent, and consequently easier for residents to understand and access.
- 1.6 The intention of the new scheme is to maintain the same level of overall financial support available to claimants when compared to the current 2021-2022 scheme, with the maximum support levels also remaining at 80%. In fact, for the lowest income households, modelling indicates that the changes may increase the amount of support provided.

## 2. Proposed New Scheme

2.1 In proposing a new Scheme for working age claimants from 2022-2023, the service has considered every potential change to the existing scheme bearing in mind the following aims:-

### **2.1.1 To make the scheme easier for claimants and potential claimants to access**

2.1.1.1 Any claim for Universal Credit notified to the council through the Universal Credit Data Share will automatically be a claim for CTR. This will maximise entitlement, speed up processing times and reduce the need for backdating. However, any required backdating will also be extended from the current one month maximum to 12 months maximum where circumstances show that the claimant would have been eligible for the reduction had they applied at that time.

### **2.1.2 To provide greater stability to those who are in receipt of Council Tax Reduction whilst making the scheme work better with the Universal Credit award system**

2.1.2.1 This will be achieved by introducing a simplified income 'grid' scheme (Table 1) which reflects the household composition for all working age applicants with the level of discount based on the total 'net' weekly income of the applicant and any partner. The exception is where any applicant or their partner are in receipt of a 'Passported benefit' they will receive the maximum discount of 80%. The income bands have been modelled based on current Gravesham claimant data.

2.1.2.2 This simplification will reduce the number of changes having to be made due to the creations of bands of income (Table 1) i.e. only those changes which move the net income to another band would have to be considered. This, in turn, will reduce the number of new council tax bills and accompanying notification letters claimants receive, as these will only be triggered when a claimant moves from one band to another.

**Table 1 – ‘Grid scheme’ based on household and weekly ‘net income’**

Discount percent	Single Person	Couple	Lone Parent with one child /young person	Lone Parent with two or more children /young persons	Couple with one child /young person	Couple with two or more children /young persons
80% (Band 1)	‘Passported Benefits’ where any applicant or partner are in receipt of Income Support, Income-Based Jobseeker’s or Income Related Employment and Support Allowance (and have under £16,000 capital)					
80% (Band 1)	£0 to £115	£0 to £160	£0 to £185	£0 to £255	£0 to £230	£0 to £300
65% (Band 2)	£115.01 to £160	£160.01 to £205	£185.01 to £230	£255.01 to £300	£230.01 to £275	£300.01 to £345
45% (Band 3)	£160.01 to £220	£205.01 to £265	£230.01 to £290	£300.01 to £360	£275.01 to £335	£345.01 to £405
25% (Band 4)	£220.01 to £280	£265.01 to £325	£290.01 to £350	£360.01 to £420	£335.01 to £395	£405.01 to £460
0% (Band 5)	£280+	£325+	£350+	£420+	£395+	£460+

### **2.1.3 Provide additional protection**

2.1.3.1 For all working applicants - Removing the current earnings disregards (various levels between £5-£25 per week) and replacing them with a standard £25 per week disregard i.e. the first £25 per week of earnings will not be counted when the council calculates the weekly income.

2.1.3.2 Disability Benefits – Protecting disabled persons by disregarding as income any Personal Independence Payments (PIP) or Disability Living Allowance (DLA). Additionally, in calculating the net income there will be a further disregard of £40 per week from any other income where either the applicant, partner or dependant is in receipt of the disability benefit.

2.1.3.3 Any Carer’s Allowance and the Support Component of Employment and Support Allowance (ESA) will be disregarded when assessing a person’s income.

#### **2.1.4 To make the scheme more transparent and easier to understand**

- 2.1.4.1 There are a myriad of complex rules across the various benefit schemes including Universal Credit, Housing Benefit and Tax Credits. Additionally, there are inconsistencies in these rules, which are confusing for claimants to understand. It is proposed to align the new CTR scheme with other benefit schemes to ensure consistency for claimants. Some of these changes, however, may result in the claimant initially receiving less Council Tax Reduction. Consequently, the service will proactively identify and seek to protect claimants from facing exceptional hardship due to these changes. (see item 2.1.5).
- 2.1.4.2 In the current CTR scheme, any new claim or change in circumstances is effective on a weekly basis. As Council Tax is a daily charge, it is fair and equitable to change entitlement to CTR on a daily basis. Additionally, the proposed new scheme will reduce the number of changes that will affect entitlement.
- 2.1.4.3 Removal of the Extended Payment provision. This provision allowed for a further four weeks payment of Council Tax Reduction scheme where an applicant in receipt of specific benefits (such as Income Support, Jobseeker's Allowance or Employment and Support Allowance) had moved into work, which would end their entitlement. As these existing legacy benefits are effectively being phased out and current recipients will be entitled to the maximum 80% discount it is felt that these provisions are no longer applicable.
- 2.1.4.4 From April 2017, the Government changed a number of benefit schemes limiting the dependant's addition (a prescribed assumed additional financial need) within the calculation to a maximum of two children. The CTR scheme changed at that time with existing applicants protected where they had made a claim for support before that date and already had more than two dependants. The new scheme proposal based on the income grid (Table 1) takes into account the number of applicants within the household although it will be limited to two dependants for all applicants. However, in calculating the net income all Child Benefit will be disregarded i.e. not count towards the applicants' income for the purpose of CTR.
- 2.1.4.5 In order to align with other benefits and ensure consistency for claimants, the new scheme will use a minimum level of income (Minimum Income Floor) for self-employed applicants. It would be in line with the National Living wage for 35 hours per week. Should income actually be above this level then the actual amount earned will apply in the calculation. The income would not apply for a designated start-up period of one year from the start of the business and the council would have the discretion to waive this in exceptional circumstances.

### **2.1.5 Protect claimants from exceptional hardship**

2.1.5.1 It is recognised that whenever there are changes to a CTR scheme, within the same cost envelope, there will be some claimants who will be adversely affected. It is a legal requirement that the Council operates a hardship scheme to support those residents who suffer from any financial hardship. The service is experienced in operating the councils approved Council Tax Exceptional Hardship policy. Consequently, the service will continue to operate such a scheme but also will utilise new technology such as the Low Income Family Tracker to proactively identify, engage with and ultimately assist and support those Gravesham residents who are vulnerable and/or experiencing financial hardship due to these changes.

2.2 The proposed timetable for consultation and implementation of the new Scheme for working age claimants from 2022-2023 is set out below:

Cabinet	Monday 4 October 2021
Consultation	10 weeks from Friday 15 October 2021 to Friday 24 December 2021
Cabinet	Monday 31 January 2022 Reporting on the responses to the consultation exercise and presentation of the proposed scheme for 2022/23
Council (Budget setting meeting)	Tuesday 22 February 2022 to consider and approve the new scheme
Commence calculation and production of 2022-2023 council tax bills including approved CTRS	Wednesday 23 February 2022
Council Tax Reduction Scheme 2022-2023 commences	Friday 1 April 2022

### 3. Consultation

- 3.1 The Council has a statutory duty to consult on any proposed scheme(s) identified by the modelling. This has been built into the proposed timetable set out at 2.2.
- 3.2 It is imperative that individuals and organisations are given access to respond to the consultation. Consequently, the service has devised a stakeholder network map to identify key stakeholder groups. These groups consist of:
- Claimants
  - Non-claimants
  - Elected members
  - Landlords
  - Local Job Centre
  - Third Sector organisations
  - Other local authorities
  - Parish Councils
  - Central Government
  - Professional bodies
  - Local businesses/ratepayers
  - Council employees
- 3.3 Whilst the consultation will primarily be website based, it is recognised that access to computers, smartphones and the internet combined with the potential for respondents to lack digital skills could affect the ability of some claimants and residents to provide a response. Additionally, there may be other barriers to completing a consultation form. Consequently, the service will:-
- 3.3.1 Work with the Communications team in order to ensure that there is an effective campaign across various media channels
- 3.3.2 Write to all current CTR claimants and a random sample of residents who are not in receipt of CTR encouraging them to respond to the consultation, offering paper copies where required together with advice on how to seek assistance in completing the form – either through the council or via a key stakeholder organisation
- 3.3.3 Contact key stakeholders encouraging both a group response and also requesting that they assist claimants/residents in responding to the consultation.
- 3.4 There is a duty to consult with the major precepting authorities (Kent County Council, Kent Police & Crime Commissioner and Kent Fire & Rescue) who are statutory consultees.

- 3.5 The draft consultation document is included at Appendix 3. The consultation document must focus on the considerations for any changes to the existing scheme (see section 2) including the alternatives such as to maintain the current scheme.

#### **4 Finance**

- 4.1 Government initially provided funding for the scheme in 2013. However, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to Councils.
- 4.2 The aim of this scheme is for the cost of the 2022-23 scheme to remain cost neutral when compared (based on the current caseload) to the current estimate expenditure of £6,904,000 for the 2021-2022 scheme. Gravesham Borough Council would bear 11% or £760,000 of this cost with the remainder incurred by major preceptors i.e., Kent County Council, Kent Police & Crime Commissioner and Kent Fire and Rescue authority.

#### **5 Background Papers**

- 5.1 Anyone wishing to inspect background papers should in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS	APPENDIX 1
<p><b>Legal</b></p>	<p>Section 13A(1)(a) of the Local Government Finance Act 1992 prescribes that the council is required to have a Council Tax Reduction Scheme (CTRS). This is a discount for Council Tax based on the income of the household.</p> <p>Legal Services have advised that the Council is legally permitted to make the proposed changes, subject to carrying out an appropriate consultation. The 10 weeks proposed period for the consultation has been assessed as a reasonable period of time for the consultation process.</p>
<p><b>Finance and Value for Money</b></p>	<p>The proposed scheme changes have been modelled in detail in order to ensure that the changes do not exceed the cost of the existing council tax reduction scheme.</p>
<p><b>Risk Assessment</b></p>	<p>There is a financial risk that forecast costs of the new scheme are beyond those of the existing scheme. Detailed modelling has been conducted to help mitigate this risk based on current caseloads</p> <p>There is a risk of a negative effect on council tax collection within the relevant financial year leading to delays in collecting the following year's liability. This will be mitigated by a proposed reduction in number of changes required to be actioned reducing number of revised bills issued, Consequently, there will be a quicker, and more efficient recovery process combined with ensuring that any appropriate discounts, hardship funding are applied to support the claimant.</p>
<p><b>Data Protection Impact Assessment</b></p>	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>The need for a DPIA is currently being assessed</p> <p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>?</p> <p>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>See above</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>.</p> <p>N/A</p>
<p><b>Equality Impact Assessment</b></p>	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>Yes. A full Equality Impact Assessment has been undertaken. There may be a detrimental financial impact on some residents near the bottom of an 'income' band meaning that changes move them into a lower discount bracket. However, a Council Tax Exceptional Hardship scheme will be built into the Council Tax Reduction scheme to mitigate any adverse financial affect to a claimant.</p>

	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
<b>Corporate Plan</b>	<p><i>#1 People – Put our customers first</i></p> <p>Implement a suite of quality and effective frontline services accessible to all.</p>
<b>Climate Change</b>	<p>There are no climate change implications resulting from this report</p>
<b>Crime and Disorder</b>	<p>There are no crime and disorder implications resulting from this report</p>
<b>Digital and website implications</b>	<p>The service will work with both the digital and communications teams to ensure that the consultation is widely publicised and hosted appropriately.</p>
<b>Safeguarding children and vulnerable adults</b>	<p>There are no safeguarding implications resulting from this report</p>