



# Council Tax Reduction Scheme 2022/23 Consultation

## 1. Background to the Consultation

### **What is this consultation about?**

Each year the Borough Council must decide whether to change the Council Tax Reduction Scheme for working age applicants in its area. This year the Council has decided that changes should be made to significantly change the Council Tax Reduction Scheme to:

Make the scheme easier for residents to understand and access.

Provide greater stability to those who are in receipt of support.

Make the scheme work better with the Universal Credit award system.

Build in capacity to better manage increase in demand.

Reduce administration costs which will ultimately prevent any additional costs being added to the Council Tax.

### **What is Council Tax Reduction?**

Council Tax Reduction is a discount for Council Tax. The level of discount is based on the income of the household. Currently the maximum discount is 80% of Council Tax for working age households and 100% for pensioners.

### **Why is a change to the Council Tax Reduction scheme being considered?**

In April 2013 the Council Tax Benefit Scheme was replaced by a new Council Tax Reduction Scheme. Council Tax Benefit had been funded by the Department for Work and Pensions and supported people on low incomes by reducing the amount of Council Tax they have to pay.

The Council Tax Reduction Scheme is determined locally by the Borough Council rather than the Department for Work and Pensions. Although the Government initially provided funding for the scheme, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to Councils.

Applicants in receipt of Income-Based Jobseekers Allowance, Income Support and Income-Related Employment and Support Allowance receive the maximum level of support. Others receive an amount of Council Tax Reduction based on a number of factors including the make up of the household, income and disability.

A separate Central Government scheme is retained for people of pension age and Councils are only able to vary their schemes for people of working age.

Each Council is required to review their schemes each year and decide if they want to make any changes. Before any changes can be implemented, they must be subject to public consultation.

Gravesham Borough Council is proposing a number of changes to its existing scheme and, in line with legislation, we have a duty to consult you and provide you with the opportunity to tell us your views on the proposed changes to our Council Tax Reduction Scheme.

The Council is consulting on the following changes to its scheme for 2022/23 (more detail on the change options is given further in the consultation):

Introducing an income 'grid' scheme for all working age applicants replacing the current scheme which was based on the previous Council Tax Benefit Scheme. This will provide up to 80% support in certain cases. **(Option 1);**

Removing the transitional protection awarded to certain pre-2017 claims. **(Option 2);**

Removing the current earnings disregards and replacing them with a standard £25 per week disregard for all working disregard for all working applicants **(Option 3);**

Removing the Extended Payment provision. **(Option 4);**

Calculating all new claims and changes in circumstances to be effective of the day of the change in line with the discount schemes, rather than the current (benefit based) weekly basis. **(Option 5);**

Allowing the discretion to backdate any discount up to 12 months where a good reason is provided. **(Option 6);**

Protecting disabled persons by disregarding Personal Independence Payments or Disability Living Allowance and providing a further disregard of £40 per week where either the applicant, partner or dependant is in receipt of the disability benefit. **(Option 7);**

Protecting carers by fully disregarding any Carer's Allowance and the Support Component for those applicants in receipt of Employment and Support Allowance in the calculation. **(Option 8);**

Introducing a Minimum Income Floor for Self Employed applicants. **(Option 9);**

Certain aspects of the Council's existing scheme will be carried forward into the new scheme including:

the capital limit will remain at £16,000 per claim;

a 'flat-rate' charge of £10 per week shall be deducted from any reduction for each non-dependant within the household;

the housing element of Universal Credit shall continue to be disregarded; and

any amount of war pensions or war disablement pension shall be disregarded in full.

Protecting the most financially vulnerable.

By ensuring that the scheme protects the financially vulnerable, the Council is likely to reduce spending in other poverty related areas making a significant contribution to the health and wellbeing of Gravesham residents.

### **What are the drawbacks of doing this?**

Whilst the Council will look to protect Council Tax Reduction recipients as far as possible, there may be a few winners and losers; and

Some higher income households may receive less support

In the Gravesham area, almost 6,477 people currently receive Council Tax Reduction. The gross cost of the scheme is £ £6,904,000 which is spread across the Council (11%), the County Council (74%), Fire (4%), Police (11%) and local preceptors (11%) in accordance with the proportion of Council Tax which each organisation levies (which is shown in brackets).

### **Who will this affect?**

Working age households in the Borough area who currently receive or will apply for Council Tax Reduction.

Pension age households will not be affected as Central Government prescribe their scheme.

**Are there any alternatives to changing the existing Council Tax Reduction Scheme?**

We have thought about other options. These have not been completely rejected (including maintaining the current scheme) and you are asked about them in the questionnaire, but, at the moment we do not think we should implement them for the reasons given.

**We have considered:**

• **Continuing with the current scheme**

This would mean less support for certain households and higher administration costs generally. Not making the proposed changes would significantly increase the administration of Council Tax Reduction. The current scheme does not work effectively with the Government’s Universal Credit system. The multiple changes in Universal Credit inevitably lead to multiple changes in Council Tax Reduction which also impact collection of the charge.

This would increase the costs for all Council taxpayers in the area paying towards the scheme. The decision to increase Council Tax may need to be made by voting in a local referendum; or

**Reduce funding to other Council services to pay for additional administration costs**

Keeping the current Council Tax Reduction scheme will mean an increase in administration costs and less money available to deliver other Council services.

**1. I have read the background information about the Council Tax Reduction Scheme: This question must be answered before you can continue. \***

Yes

No

## **2. Paying for the Scheme**

**2. Should the Council keep the current Council Tax Reduction scheme? (Should it continue to administer the scheme as it does at the moment?) \***

Yes

No

Don't Know

**3. Please use the space below to make any comments you have on protecting the Council Tax Reduction Scheme from these changes.**

### 3. Option 1 – The introduction of an Income Grid scheme to replace the current scheme for all applicants of working age

As explained in the background information, the Council is primarily consulting on the following proposals to change the existing Council Tax Reduction Scheme from 1st April 2022, which may increase the overall level of support to those households on the lowest income and reduce the administration cost of the scheme generally. The changes will also make the scheme simpler. Please note that whilst the changes are intended to reduce the level and cost of administration, the Council is not looking to reduce the total overall level of support available in fact for the lowest income households, the changes may increase the amount of support provided. Your responses are a part of this consultation.

The current scheme for Council Tax Reduction is largely based on the previous Council Tax Benefit scheme which was assessed alongside Housing Benefit. Housing Benefit for working age applicants is being phased out and it is not now possible to make new claims. Whilst Housing Benefit was the main provider of housing support for the working age, it was logical to maintain a Council Tax Reduction Scheme that mirrored the approach. With the roll out of Universal Credit, it gives the opportunity to significantly simplify what is effectively a Council Tax discount.

It is proposed that a simplified income ‘grid’ scheme will be introduced. Table 1 shows the level of discount available.

**Table 1**

| Band | Discount | Single Person   | Couple          | Lone Parent with one child | Lone Parent with two or more children | Couple with one child | Couple with two or more children |
|------|----------|-----------------|-----------------|----------------------------|---------------------------------------|-----------------------|----------------------------------|
| 1*   | 80%      | £0 to £115      | £0 to £160      | £0 to £185                 | £0 to £255                            | £0 to £230            | £0 to £300                       |
| 2    | 65%      | £115.01 to £160 | £160.01 to £205 | £185.01 to £230            | £255.01 to £300                       | £230.01 to £275       | £300.01 to £345                  |
| 3    | 45%      | £160.01 to £220 | £205.01 to £265 | £230.01 to £290            | £300.01 to £360                       | £275.01 to £335       | £345.01 to £405                  |
| 4    | 25%      | £220.01 to £280 | £265.01 to £325 | £290.01 to £350            | £360.01 to £420                       | £335.01 to £395       | £405.01 to £460                  |
| 5    | 0%       | £280+           | £325+           | £350+                      | £420+                                 | £395+                 | £460+                            |

\*Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker’s Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given.

**The key principles of the scheme are as follows:**

The level of discount (shown in the grid) will be based on the total net income (determined by the Council) of the applicant and their partner;

Income levels can vary in accordance with household size;

The maximum support available will remain at 80%;

Certain aspects of the current scheme will be carried forward into the new scheme namely Disability Living Allowance, Personal Independence Payments and Child Benefit will continue to be disregarded;

Child Maintenance will also be disregarded from the calculation;

Applicants receiving Income Support, Income-Related Employment and Support Allowance and Income-Based Jobseeker's Allowance will receive a Band 1 discount. Where applicants are not in receipt of those benefits and their income is above the levels specified in Band 1, Council Tax Reduction shall be awarded at the appropriate level (Bands 2, 3, 4 & 5);

Removing the transitional protection awarded to certain pre-2017 claims **(see Option 2)**;

Removing all of the current earnings disregards and replacing them with a standard £25 disregard for all applicants where they are in work **(see Option 3)**;

Removing the Extended Payment provision **(see Option 4)**;

Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis **(see Option 5)**;

Allowing the discretion to backdate any discount up to 12 months where a good reason is provided **(see Option 6)**;

Protecting disabled persons by disregarding Personal Independence Payments or Disability Living Allowance and providing a further disregard of £40 per week where either the applicant, partner or dependant is in receipt of the disability benefit **(Option 7)**;

Protecting carers by fully disregarding any Carer's Allowance and the support component for those applicants in receipt of Employment and Support Allowance in the calculation **(see Option 8)**;

Introducing a Minimum Income Floor for Self-Employed applicants **(see Option 9)**;

As with any change there may be both winners and losers; however, the Council is keen to protect as many applicants as possible.

Most applicants will receive the same support next year. Inevitably some households will have a little more to pay. Where an applicant experiences exceptional hardship, they will be able to apply for additional support from the Council under its Exceptional Hardship Fund.

**The benefits of changing the scheme:**

It provides more targeted support to those on the lowest incomes;

It provides a simpler scheme, easily understood by all applicants;

It will save significant increases in administration costs due to the introduction of Universal Credit; and

It should provide greater stability to Council Tax Reduction recipients by reducing the number of Council Tax demands during the year which prevents multiple changes to monthly instalments.

**The drawbacks of doing this are:**

Whilst the Council will look to protect Council Tax Reduction recipients as far as possible, there may be a few winners and losers; and

Some higher income households may receive less support.

**4. Do you agree with the changes to the scheme to introduce an income based banded discount scheme? \***

Yes

No

Don't Know

5. If you disagree please explain why and what alternative would you propose?

## 4. Option 2 - Removing the transitional protection awarded to certain pre-2017 claims

Historically, benefit claimants who had children were awarded a dependant's addition per child when calculating the amounts that the Government considered certain categories of people needed to live on each week (known as the 'applicable amount').

However, from April 2017 Central Government restricted dependant additions in Universal Credit, Housing Benefit and Tax Credits restricting the number of dependant (child) additions to a maximum of two.

Consequently, the Council Tax Reduction Scheme also changed from April 2017 so that any new claims would only have a dependant addition for the first two children. It also sought to protect existing claimants through a 'transitional protection' where households who already had three or more children at the time of the change i.e. 1 April 2017 by continuing to award a dependant's addition for every child in the household as at that date.

Therefore, there will no longer be a dependant's addition nor transitional protection as the new scheme is based on an 'income grid' categorised by households with no children; one child; or two or more children.

Child Benefit continues to be paid for every dependant and this will **not** count towards the applicant's income for the purposes of calculating Council Tax Reduction.

### **The benefits to the Council of doing this are:**

Council Tax Reduction will be brought into line with the Department for Work and Pensions (DWP) benefits; and

It is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

Applicants who have three or more dependant children may receive less Council Tax Reduction. However, this is offset by the Child Benefit not being counted and, if the applicants face exceptional hardship they may apply for additional support through the Council's Exceptional Hardship Scheme.



6. Do you agree with this change to the scheme? \*

- Yes
- No
- Don't Know

7. If you disagree please explain why and what alternative would you propose?

## 5. Option 3 – Removing the current earnings disregards and replacing them with a standard £25 per week disregard for all working disregard for all working applicants

Currently, where applicants (or their partner if they have one) have earnings and work over 16 hours per week, an earnings disregard is applied depending on their individual circumstances. The standard disregards (only one is awarded) are £5 per week for a single person, £10 per week for a couple, £20 per week if they meet certain conditions such as disablement or part time special employments or £25 for lone parents. If they work additional hours, in some circumstances they may receive an additional £17.10 disregard per week. Also, if child care is paid by the applicant above that received free from Central Government, then further disregards can be made against earnings for monies paid out.

The proposed change to the scheme would introduce a standard, single disregard of £25 for the applicant where they work. The disregard will apply against earnings only. All other disregards will be removed.

### **The benefit of this option is:**

The change is simple and administratively easy to incorporate within the scheme; and

It makes the scheme easier to understand for Council Tax Reduction applicants and recipients.

### **The drawbacks of doing this are:**

There may be applicants with larger families and who have high child care costs (not met by Government schemes) who may see a reduction in support. (It should be noted that this is offset

by the Child Benefit not being counted and that all applicants that face exceptional hardship may apply for additional support under the Council's Exceptional Hardship Scheme).

**8. Do you agree with this change to the scheme? \***

- Yes
- No
- Don't Know

**9. If you disagree please explain why and what alternative would you propose?**

## **6. Option 4 – Removing the Extended Payment provision**

In certain cases, where applicants have been in receipt of prescribed benefits (such as Income Support, Jobseekers Allowance or Employment and Support Allowance) and move into work which ends their entitlement, Council Tax Reduction can be paid for an additional 4 weeks after commencing work or increasing their hours. Similar provisions do not exist for Universal Credit claimants. As Universal Credit is to replace those existing (legacy) benefits, the Council feels that these provisions are no longer appropriate.

**The benefit of this option is:**

It will treat all applicants in receipt of DWP benefits equally; and

The change is simple and administratively easy to incorporate within the scheme.

**The drawbacks of doing this are:**

Applicants who are still in receipt of legacy benefits and who move into work before being transferred to Universal Credit may lose any potential extended payment.

**10. Do you agree with this change to the scheme? \***

- Yes

No

Don't Know

**11. If you disagree please explain why and what alternative would you propose?**

## **7. Option 5 – Any new claim or change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present)**

New claims and changes in circumstances that affect entitlement to Council Tax Reduction, under the current scheme, are largely effected on a weekly basis. This is a 'throwback' to previous benefit schemes that were weekly based. As Council Tax is a daily charge, the Council believes it makes more sense to change entitlement to Council Tax Reduction on a daily basis. It should be noted that, the proposed new scheme is designed to reduce the number of changes that will affect entitlement in any event.

### **The benefit of this option is:**

It is in line with the way that Council Tax is charged and operated; and

The change is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

There are no draw backs to this option.

**12. Do you agree with this change to the scheme? \***

Yes

No

Don't Know

**13. If you disagree please explain why and what alternative would you propose?**

## **8. Option 6 – Extending the ‘backdating’ provisions within the scheme**

The current scheme limits the backdating of any application for Council Tax Reduction to 1 month before the date of application where continuous 'Good Cause' is proven.

The Council is of the opinion that the backdating of applications of up to 12 months should allow for better alignment with the date that the applicant's circumstances changed and that the Council be given a general discretion to backdate any claim where a good reason is provided.

### **The benefit of this option is:**

This option will allow the Council more flexibility in granting support where the applicant has a good reason for not claiming earlier; and

The change is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

There are no drawbacks to this change. It is unlikely to increase the costs of the scheme significantly.

**14. Do you agree with this change to the scheme? \***

- Yes
- No
- Don't Know

**15. If you disagree please explain why and what alternative would you propose?**

## **9. Option 7 – Protecting disabled persons by disregarding Personal Independence Payments or Disability Living Allowance and providing a further disregard of £40 per week where the applicant, partner or dependant is in receipt of the disability benefit.**

By moving to an income-based grid scheme it is essential that certain benefits are disregarded from the calculation of income. In order to protect the most vulnerable applicants, it is proposed that Personal Independence Payments and Disability Living Allowance are not counted when assessing a person's income. In addition, where either the applicant, their partner or any dependant is in receipt of any of those benefits, a further disregard of £40 per week will be made from the income used in the calculation

### **The benefit of this option is:**

It will assist and support the most vulnerable; and

The change is simple and administratively easy to incorporate within the scheme.

### **The drawbacks of doing this are:**

There are no drawbacks to this change as it will continue to protect persons with a disability. It is unlikely to increase the costs of the scheme significantly.

### **16. Do you agree with this change to the scheme? \***

- Yes
- No
- Don't Know

### **17. If you disagree please explain why and what alternative would you propose?**

## 10. Option 8 – Disregarding Carer's Allowance and the Support Component of the Employment and Support Allowance

By moving to an income-based grid scheme it is essential that certain benefits are disregarded from the calculation of income. In order to protect the most vulnerable applicants, it is proposed that Carer's Allowance and the Support Component of Employment and Support Allowance are not counted when assessing a person's income

### The benefit of this option is:

It will assist and support the most vulnerable and it will potentially increase the support to carers: and

The change is simple and administratively easy to incorporate within the scheme

### The drawbacks of doing this are:

There may be a slight increase in the overall cost of the scheme

### 18. Do you agree with this change to the scheme? \*

- Yes
- No
- Don't Know

### 19. If you disagree please explain why and what alternative would you propose?

## 11. Option 9 – Introducing a Minimum Income Floor for certain self-employed applicants

In order to align Council Tax Reduction with Universal Credit, the Council proposes to use a minimum level of income for those applicants who are self-employed. This would be in line with the National Living Wage for 35 hours worked per week. Any income above this amount would be taken into account based on the actual amount earned. 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 the use of this facility in exceptional circumstances

**The benefit of this option is:**

The change is simple and administratively easy to incorporate within the scheme; and

The treatment of income for self-employed claimants for Council Tax Reduction will be brought broadly into line with those applicants who are self-employed and who are in receipt of Universal Credit (where the scheme is already in place)

**The drawbacks of doing this are:**

Where a working age applicant is self-employed and continues to run a business where their income is below the National Living Wage level, the Council will assume they earn at least the minimum level (based on a 35-hour week, regardless of the hours they work).

**20. Do you agree with this change to the scheme? \***

- Yes
- No
- Don't Know

**21. If you disagree please explain why and what alternative would you propose?**

## **12. Alternatives to changing the Council Tax Reduction Scheme**

If the Council keeps the current scheme, it will be less supportive to low-income households and administratively more complex. The proposals set out in this consultation will deliver more targeted support and administration savings.

Do you think we should choose any of the following options rather than the proposed changes to the Council Tax Reduction Scheme? Please select one answer for each source of funding.

**22. Increase the level of Council Tax to cover the rising administration costs. \***

- Yes
- No
- Don't Know

**23. Find the additional administration costs by cutting other Council Services. \***

- Yes
- No
- Don't Know

**24. Please use this space to make any other comments on the proposed scheme.**

**25. Please use the space below if you would like the Council to consider any other options (please state).**

**26. If you have any further comments or questions to make regarding the Council Tax Reduction Scheme that you haven't had opportunity to raise elsewhere, please use the space below.**

## **13. About You**

We collect this information to help us understand the communities that we serve so that services and policies can be delivered to meet the needs of everybody. Please feel free to leave questions that you do not wish to answer. All of the information gathered in this questionnaire is confidential and anonymous.

Your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.



**27. Are you completing this form on behalf of an organisation or group?**

Yes

No

**If yes, please tell us the name of the organisation/group and add any other comments you wish to make.**

## **14. Questions for Individuals**

Please answer the following questions.

**28. Do you live in Gravesham?**

Yes

No

**29. Are you currently receiving Council Tax Reduction?**

Yes

No

**30. Are you or your partner in work or self-employed?**

Yes

No

**31. Are you liable to pay Council Tax?**

Yes

No

**32. Do you have more than three or more pre-school or school age children in your household?**

Yes

No

**33. Are you currently serving in the Armed Forces?**

Yes

No

**34. What is your sex?**

Male

Female

Prefer not to say

**35. What is your age?**

18-24

25-34

35-44

45-54

55-64

65-74

75-84

85+

Prefer not to say

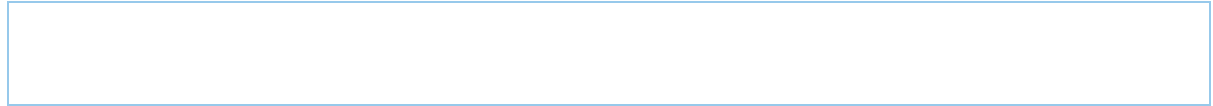
**36. Disability: Are your day to day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?**

- Yes
- No
- Don't know
- Prefer not to say

**37. Ethnic Origin: What is your ethnic group?**

- Prefer not to say
- White British
- White Irish
- White Gypsy or Irish Traveller
- Any other White background
- Mixed/Multiple ethnic groups - White & Black African
- Mixed/Multiple ethnic groups - White & Black Caribbean
- Mixed/Multiple ethnic groups - White & Asian
- Any other multi mixed background
- Asian or Asian British Pakistani
- Asian or Asian British Indian
- Asian or Asian British Bangladeshi
- Asian or Asian British Chinese
- Any other Asian background
- Black African
- British Caribbean
- Black British
- Any other Black background

**38. Other ethnic group?**



## **15. Next steps....**

Thank you for completing the questionnaire.

You may submit further evidence, ideas, comments or questions (marked CTR consultation) by email to [xxxx@gravesham.gov.uk](mailto:xxxx@gravesham.gov.uk)

The consultation closes at midnight dd/mm/yyyy

We will listen carefully to what you tell us and take the responses into consideration when making a final decision on the 2022/23 scheme.

Following the decision, the full results from the consultation will be available on the Council's website.

The new scheme will start on 1 April 2022. The Council will consider the impact of the scheme annually and consult again if it thinks further changes need to be made.