

CABINET

11 JULY 2017

COUNCIL TAX REDUCTION SCHEME - CONSULTATION

Portfolio Holder: Councillor Alan Jarrett, Leader
 Councillor Rupert Turpin, Business Management

Report from: Phil Watts, Chief Finance Officer

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Summary

This report seeks Cabinet approval to commence public consultation on proposed revisions to the Council Tax Reduction Scheme.

1. Budget and Policy Framework

1.1 It is the Cabinet's responsibility to propose a budget to be agreed by Council. The scope of the localised Council Tax Reduction Scheme (CTRS) will have an impact on both the taxbase calculation and the budget requirement that underpin the budget proposal. The consequences of dealing with these issues will directly impact on the level of Council Tax. Approval of the Council Tax Reduction Scheme is a matter for Full Council.

2. Background

2.1 On 23 January 2013 Council adopted a local CTRS (decision number 774/2013).

2.3 Any entitlement to a reduction is based on a means test, by taking into consideration a person's income and comparing this with any personal allowances, premiums and disregards to which they may be entitled.

2.4 For each financial year, the Council must consider whether to revise its scheme or to replace it with a replacement scheme. It must make any revision to its scheme, or any replacement scheme, no later than 31 January for the subsequent financial year.

2.5 Revisions to the CTRS or a replacement CTRS must be the subject of consultation.

2.6 In order to maintain the balance between the CTRS and the allowances to which claimants are entitled, Council amended the original scheme on 24 January 2014, following public consultation, so that it is updated on an annual

basis in line with national changes (decision number 748/2014). The April 2018 allowances will not be announced until January 2018 and will be included in the Council report at that time.

- 2.7 However, in addition to the annual uprating, there have been various legislative changes which are or will be shortly reflected in the national housing benefit regulations and in the prescribed requirements for pension age CTRS claims that are not reflected within our working age CTRS. The impact of further welfare reform changes such as the introduction of Bereavement Support and the move to Universal Credit Full Service from February 2018 also need to be considered for the 2018/19 CTRS.

3. The Scheme

- 3.1 The current Medway scheme is available from the following link

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=34390> (Appendix 4 refers)

- 3.2 The scheme consists of two parts; the first makes provision for non-pensioners and is at members' discretion, and the other makes provision for pensioners that is made on a national basis by the Department for Works and Pensions.

- 3.3 Key aspects of the current CTRS are:

- Any entitlement to a reduction is based on a means test, by taking into consideration a customer's income and comparing this with any personal allowances, premiums and disregards to which they may be entitled
- Only 65% of council tax liability is used to assess Council Tax Support
- A minimum deduction is made in respect of non-dependants to include any such person in the household, aged 18 years or more
- Those in receipt of a war widow or war disablement pension enjoy the same protection as pensioners.

4. Options

- 4.1 Maintain the current scheme

The current scheme as described above costs approximately £13.2m per annum.

- 4.2 Proposal to make amendments to mirror changes to the national housing benefit regulations and prescribed requirements for pension age CTR claims.

- 4.2.1 Backdating

From April 2016, the backdating of housing benefit claims was restricted to 1 month. This was previously 6 months and remains as 6 months in our working age CTRS.

4.2.2 Family Premium

The family premium is no longer awarded for new claims for housing benefit and pension age CTRS. The premium applies when a claimant is responsible for one or more dependent child. The change applies to new claims made after 1 May 2016. It is also not applicable to any existing HB claimants who become responsible for the first time for a child on or after 1 May 2016.

There is transitional protection for claimants already receiving the premium, if they were entitled to the premium on 30 April 2016, they retain it until they make a new claim for housing benefit or they no longer have any responsibility for any children or young people.

It is recommended that we align the working age CTRS by no longer awarding the family premium from 1 April 2018 whilst offering transitional protection for claimants in receipt of the premium at 31 March 2017.

4.2.3 Temporary Absence

The temporary absence rules have been amended to make changes to the period of allowable absence from Great Britain. In general, the allowable absence period has reduced from 13 weeks to 4 weeks.

4.2.4 Two children

From 6 April 2017, there are changes to the support provided for children within housing benefit. The changes limit support to no more than 2 children and apply to all new entitlements to housing benefit arising on or after 6 April 2017, or where, in an existing case, a new child or young person becomes a part of the family on or after that date and are not included in the claimant's child tax credit assessment. The restriction applies only to the personal allowances for children/young people to be included in the applicable amount.

4.2.5 Employment and Support Allowance – work related activity component

From April 2017, new ESA claimants who are placed in the work-related activity group will receive the same rate of payment as those claimants JSA or the equivalent in UC. The working age scheme needs to be amended to remove the references to this in line with the pension age changes.

4.3 Proposal to make amendments in preparation for full roll out of Universal Credit

4.3.1 Severe Disability Premium

A customer is entitled to a severe disability premium within their HB/CTR if they receive a certain rate of Disability Living Allowance (DLA), Personal Independence Payment (PIP) or Attendance Allowance (AA) and they have no non-dependants and no-one receives carer's allowance for them. Changes have been made to SDP should not apply where someone received Universal Credit with a carer element, for care that is provided to a HB recipient.

4.3.2 Full Service

We are due to move to Universal Credit Full Service from February 2018. This is an extension of the live service which means UC is available to all types of claimants. As UC will only pay the housing costs, we will still receive new claims in respect of council tax reduction. It would be wise to clarify the rules surrounding the treatment of UC within our scheme from April 2018.

4.4 Proposal to make amendments for other welfare reforms

4.4.1 Bereavement Support

From April 2017, legacy bereavement benefits have been replaced by one benefit called the bereavement support payment. The new payment is also disregarded for means tested benefits. We need to decide if we would want to replicate this within our scheme.

4.5 Introduction of a de-minimis limit

4.5.1 Any change to the award of CTRS legally requires the issue of a notification letter and a revised council tax bill. Regular changes in CTRS awards affect council tax billing and recovery and often result in new instalments being generated on a monthly basis. The consequence of this is that people who are not paying regularly, will fail to go through the recovery process. It is also misleading for customer to have regular changes to their instalments. The de-minimis limit can apply where the change in weekly award is less than or equal to a positive or negative amount. Setting the de-minimis amount at a negative value of £0.99 will ensure that potential minor reductions in the amount of CTRS awarded will not be actioned whilst small increases in award will be passed on to the claimant. These small adjustments are likely to arise more often with the fluctuations in monthly universal credit income which result mainly from irregular employment hours.

5. Advice and Analysis

5.1 Consultation

5.1.1 Should Cabinet wish to revise the current scheme there is a legal requirement to undertake a consultation exercise which good practice suggests should be for a minimum of 12 weeks.

5.1.2 In *R(on the application of Moseley) v London Borough of Haringey (2014)* the Supreme Court concluded that a consultation conducted by the London Borough of Haringey into a proposed council tax relief scheme was 'unfair and therefore unlawful'.

5.1.3 The court endorsed the 'Sedley criteria' advanced and accepted in *R v Brent London Borough Council ex parte Gunning* as 'a prescription for fairness' in consultations:

- Consultation must be when proposals are still at a formative stage;

- The proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- Adequate time must be given for consideration and response; and
- The product of consultation must be conscientiously taken into account.

5.2 Hardship Relief

5.2.1 Members are reminded of the existence of Council Tax Discretionary Relief to assist in cases where the payment of council tax would cause undue hardship, although this is considered to be short term help. It may be that the policy will need reviewing should the CTRS scheme change.

5.3 Diversity Impact Assessment

5.3.1 A full Diversity Impact Assessment will be undertaken following the consultation as part of the policy change process.

5.4 It is proposed that the outcome of consultation be reported to the Business Support Overview and Scrutiny Committee (30 November 2017) and Cabinet (19 December 2017) for consideration. Final approval of any revisions to the CTRS will be a matter for Full Council (25 January 2018).

6. Risk management

Risk	Description	Action to avoid or mitigate risk
Forecast cost of scheme falls short of estimate	Likelihood D (Low) Impact 3 (Marginal) Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis
Forecast cost of scheme excessive	Likelihood D (Low) Impact 2 (Critical)	Use of data modelling tools and data analysis
Effect on collection	Likelihood B (High) Impact 2 (Critical) Dependant on method of funding, but new scheme likely to produce small debts and debtors who have not had to pay before	Quick and efficient recovery processes
Comparison to neighbouring authorities	Likelihood D (Low) Impact 2 (Critical) If the Medway scheme is markedly more generous than surrounding authorities' schemes there is a possibility of claimants migrating into Medway placing additional stress on funding	Maintain links to other local authorities

7. Financial and legal implications

- 7.1 The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its council tax reduction scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme, must be made no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 7.2 The potential financial implications of the changes to the scheme are estimated and detailed in the table below. In addition, changes to the Council's benefits system will cost £2,800.

Proposal	Estimated annual reduction in CTRS expenditure
Limit backdating period	£4,500
Removal of Family Premium	£90,000
Temporary Absence	<£1,000
2 child restriction	£45,000
ESA Work Related Component	<£1,000
Universal Credit	Nil
Bereavement Support Payments	Nil
De-minimus limit	Not possible to quantify but the administrative savings will outweigh the additional expenditure

8. Recommendation

- 8.1 Cabinet is asked to agree to the commencement of a twelve week consultation in relation to all the options proposed to amend the eligibility criteria for CTRS discounts as set out in paragraph 4 of the report.

9. Suggested reasons for decisions

- 9.1 The Council has a legal duty to review its CTRS every year and consult on any proposed changes.

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Appendices: None

Background Papers: None