

CABINET

3 AUGUST 2021

COUNCIL TAX REDUCTION SCHEME 2022-2023

Portfolio Holder: Councillor Rupert Turpin, Portfolio Holder for Business Management

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Summary

This report informs Members on the progress that has been made on the review of the Council Tax Reduction Scheme for 2022-2023.

The Cabinet is asked to agree to proceed with a public consultation with a view to changing the council tax reduction scheme from April 2022.

1. Background

- 1.1 Section 13A(1)(a) of the Local Government Finance Act 1992 prescribes that Medway Council is required to have a council tax reduction scheme (CTRS).
- 1.2 Since 2013-2014 the Council has had to consider annually whether to revise its scheme or to replace it with a replacement scheme. Any revision to the CTRS or a replacement CTRS must be the subject of consultation.
- 1.3 The Council amended the original scheme from 2014-2015 following public consultation, so that it is updated on an annual basis in line with national changes (decision number 748/2014 refers). This maintained the balance between the CTRS and the annually updated allowances to which claimants are entitled,
- 1.4 The current 2021-2022 Medway scheme is a 'means-tested' scheme and is available from the following link:
<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Id=29384>
- 1.5 The scheme consists of two parts. The first part makes provision for working age claimants and required full Council approvals at Members' discretion, and

the other makes provision for pension age claimants that is made on a national basis and in line with previous awards of council tax benefit. Only, relatively minor changes can be made by the council in respect of pension age applications and even then, only where it is an advantage to the applicant.

- 1.6 The service is currently investigating the possibility of changing its CTRS for 2022-23. The aim is to simplify the scheme for both applicants and the service by moving away from the current means tested reduction to an income-based discount based on percentage bandings and income-grid scheme more aligned to council tax discounts than benefits. This is commonly known as a banded scheme and in 2020/21 had been implemented by 63 authorities.
- 1.7 The service is looking to ensure that any new scheme for 2022-2023 remains cost neutral when compared to the current 2021-2022 scheme.
- 1.8 Any new scheme should provide administrative efficiencies as the impact of Universal Credit on the current scheme has caused a significant increase in administration costs despite 67% automation of changes. Additionally, multiple (monthly) changes in Universal Credit inevitably led to multiple changes in CTRS and multiple Council Tax bills being issued throughout the year. The issue of multiple bills ultimately delays recovery of any non-payment as a new revised bill will provide a new statutory instalment plan. This is confusing for the customer, a source of complaint and ultimately costly to the service.

2. Advice and analysis

- 2.1 In proposing a new Scheme, the service has formed a working group consisting of key council staff/services. Additionally, the service has appointed a well-known, experienced revenues and benefits consultant who has assisted many other local authorities (including some Kent Districts) in successfully introducing a 'banded' scheme.
- 2.2 The consultant has worked with the service from which a list of change areas for consideration were identified (see Appendix 1). Each potential change needs to be considered bearing in mind the aims identified in paragraphs 1.6 to 1.8 and if appropriate chosen to initiate modelling (see paragraph 2.3) on a 'likely' scheme. The exact details of the scheme may change as it is developed through the modelling.
- 2.3 One of the key changes of a 'banded scheme is that it consists of income bands and associated reduction percentages to cover typically four different household types (Single, Couple, Households with one child; Household with two or more children) or six different household types ((Single, Couple, Couple with one child; Lone Parent with one Child, Couple with two or more children, Lone Parent with two or more children). The banded scheme grid can be seen in Appendix 2.

- 2.4 The service has acquired a tool to assist it in modelling the effects of scenarios based on suggested changes in paragraph 2.2. The initial modelling, based on advice from the Consultant and discussions with the Portfolio Holder for Business Management, is contained within Appendix 2.
- 2.5 A full diversity impact assessment will be undertaken by the service supported by the consultant.
- 2.6 It is 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 a legal requirement that the Council continues to operate its Council Tax Hardship scheme to support those residents who suffer from any disproportionate impacts. The details of how to apply for this help must be written within the CTRS scheme.
- 2.7 Proposed timescale

Cabinet	3 August 2021
Consultation	12 weeks from 11 August 2021 plus time to analyse responses
Business Support O&S committee	27 January 2022
Cabinet	8 February 2022
Council	17 February 2022 to consider and approve the new CTRS as part of budget setting
Produce annual bills including CTRS	18 February 2022

3. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Forecast cost of scheme falls short of estimate	Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis	Likelihood D (Low) Impact 3 (Marginal)
Forecast cost of scheme excessive	Unidentified increase in service demand	Use of data modelling tools and data analysis	Likelihood D (Low) Impact 2 (Critical)
Effect on collection	Potential for arrears not to be cleared within the relevant financial year leading to delays in collecting the following year's liability.	Proposed reduction in number of changes required to be actioned reducing number of revised bills issued, Consequently,	Likelihood B (High) Impact 2 (Critical)

Risk	Description	Action to avoid or mitigate risk	Risk rating
		quicker and efficient recovery processes combined with ensuring that any appropriate discounts, funding are applied to support the claimant.	

4. Consultation

4.1 The Council has a statutory duty to consult on any proposed scheme(s) identified by the modelling. It is planned to have a 12-week consultation period.

4.2 It is anticipated that the consultation will be primarily website based, but it will be important to engage with all claimants (and appropriate sample of non-claimants) to draw their attention to the consultation and encourage them to participate by providing hard copy documents as appropriate. Additionally, it will be important to involve other key stakeholder groups. 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
- Central Government
- Professional bodies
- Local businesses/ratepayers
- Council employees

4.3 There is also a duty to consult with the major precepting authorities (Kent Police & Crime Commissioner and Kent Fire & Rescue) who are statutory consultees.

4.4 The service will continue to identify appropriate stakeholders within each of these stakeholder groups and engage with them via various formal and informal communication channels to encourage an acceptable number of responses and thereby enable a meaningful analysis for any final scheme.

4.5 The consultation will focus on the considerations for any changes to the existing scheme (see Appendix 1) including the alternative i.e., to maintain the current scheme (see paragraph 1.4).

4.6 It is planned for consultation to be undertaken over a 12-week period with the intention to start from 11 August 2021. In such an instance consultation would end on 26 October 2021. This timeline is dependent upon devising an appropriate consultation document. This will require detailed work between the service, the appointed consultant and other appropriate officers/teams such as the Corporate Performance and Business Intelligence service who have experience in undertaking consultations.

5. Financial and legal implications

5.1 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 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

5.2 The cost of the CTRS in 2021/22 based upon caseload is currently estimated at £13.980m.

5.3 Since the introduction of CTRS in 2013/14 the Council has awarded hardship relief of £55,000 under its Council Tax Discretionary Relief (CTDR) scheme. £70,000 was set aside in 2013/14 (this was included when calculating the collection rate in setting the 2013/14 council tax) and as such spending remains within budget. In addition, in response to the COVID-19 pandemic the Government provided additional council tax hardship funding for 2020/21 to working age claimants totalling £2,015,244 of which £1,815,058 was awarded. The Government has confirmed that the unspent monies of £200,186 should be used to support council taxpayers who are suffering financial hardship.

6. Recommendations

6.1 The Cabinet is asked to note the proposed changes to the Council Tax Reduction Scheme, as set out at Appendix 2 to the report.

6.2 The Cabinet is asked to agree to proceed with a public consultation, with a view to changing the council tax reduction scheme from April 2022.

6.3 The Cabinet is asked to delegate authority to the Chief Finance Officer, in consultation with the Portfolio Holder for Business Management to finalise the consultation document mentioned in paragraph 4.6 of the report.

7. Suggested reasons for decisions

- 7.1 The scheme continues to balance the need for supporting those currently in receipt of CTRS and the ability of the Council to fund the scheme within the current budgetary constraints.
- 7.2 The Council's Council Tax Discretionary Relief scheme provides additional support in the case of hardship.

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Appendices

Appendix 1 – Considerations for any changes to existing scheme
Appendix 2 – Initial Modelling for Medway Council

Background papers

None