

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

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### **COUNCIL TAX REDUCTION SCHEME 2022-2023**

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#### Summary

This report informs Members on the results of the public consultation concerning the proposed changes to the Council Tax Reduction Scheme for 2022-2023.

The Committee's comments are sought before Cabinet is asked to recommend to Council a Council Tax Reduction Scheme for 2022-2023.

#### 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 Council further amended the scheme from 2016-2017 following public consultation when it was decided that claimants of working age can claim and may be entitled to a maximum of 65 per cent of their council tax liability (decision 677/2016)
- 1.5 In cabinet decision 62/2017, the Council adopted a risk-based verification policy for the administration of new housing benefit and CTR claims.

- 1.6 The Council made further amendments based around treatment of specific payments together with restricting the number of children who can be included in a Council Tax Reduction (CTR) assessment to two for new claims and limiting backdating of claims to one month from 2018-2019 following public consultation (decision 701/2018).
- 1.7 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?Ild=29384>
- 1.8 The scheme consists of two parts. The first part makes provision for working age claimants which the Council has discretion on. 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. The overall scheme requires Full Council approval.
- 1.9 Despite an annual review, the shortcomings of the current scheme for claimants are becoming more evident and include: -
  - 1.9.1 The traditional link between CTRS and Housing Benefit scheme 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 CTRS being made to the Council.
  - 1.9.2 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.
  - 1.9.3 Claimants must provide information in support of their separate CTR application despite already having provided similar supporting evidence to DWP for their Universal Credit application. This causes confusion and further delay to assessment and ultimately applying any entitlement to their council tax account.
  - 1.9.4 Failure to make a separate claim for CTRS 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.
  - 1.9.5 The impact of Universal Credit on the current CTR has been confusing for claimants and a source of complaint. The monthly changes in Universal Credit inevitably lead to multiple changes in CTR over any one year. 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.

- 1.9.6 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 make it similar to other council tax discount schemes and make it more responsive to the changes in welfare.
- 1.10 In view of paragraph 1.9. the service investigated the possibility of changing its CTRS for 2022-23. The aim being to simplify the scheme for both applicants and the service by using 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 2021/22 had been implemented by 72 authorities. These include nine other unitary authorities namely Bath & North East Somerset; Bracknell Forest; Cheshire East; Isle of Wight; Luton; Plymouth; Slough; South Gloucester and Telford & Wrekin.
- 1.11 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. As detailed in paragraph 1.9.5 the issue of multiple bills, 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.
- 1.12 The service is looking to ensure that any new scheme for 2022-2023 remains cost neutral when compared to the current 2021-2022 scheme.
- 1.13 Any revisions to the CTRS or a replacement CTRS must be the subject of consultation.
- 1.14 On 3 August 2021 the Cabinet: -
- noted proposed changes to the CTR scheme for 2022-2023;
  - agreed to proceed with a public consultation, with a view to changing the CTRS from April 2022 (decision number 92/2021); and
  - agreed to delegate authority to the Chief Finance Officer, in consultation with the Portfolio Holder for Business Management to finalise the consultation document (decision number 93/2021)

## 2. Advice and analysis

### 2.1 Proposed new Scheme

- 2.1.1 In proposing a new Scheme, the service formed a working group consisting of key Council staff/services. Additionally, the service 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.

- 2.1.2 The consultant advised the service in respect of potential change areas for consideration. Each potential change was considered by the service bearing in mind the issues identified in paragraph 1.9. Those proposed changes noted by Cabinet on 3 August 2021 are contained with the consultation document.
- 2.1.3 One of the key changes of a banded scheme is that it consists of income bands and associated reduction percentages to cover different household types.
- 2.1.4 The service acquired a tool to assist it in modelling the effects of scenarios based on suggested changes in paragraph 2.2. The modelling, based on advice from the consultant and discussions with the Portfolio Holder for Business Management, is contained within Appendix 1.
- 2.1.5 Taking into account paragraph 2.1.3 and using the modelling tool the service arrived at the following simplified income grid

<b>Band/Discount percent</b>	<b>Single person</b>	<b>Couple with no children or young person</b>	<b>Couple or Lone Parent with one child/young person</b>	<b>Couple or Lone Parent with two or more children/young persons</b>
Band 1* 65%	£0 to £94.99	£0 to £129.99	£0 to £179.99	£0 to £239.99
Band 2 55%	£95 to £139.99	£130 to £174.99	£180 to £229.99	£240 to £289.99
Band 3 45%	£140 to £184.99	£175 to £219.99	£230 to £279.99	£290 to £339.99
Band 4 35%	£185 to £229.99	£220 to £264.99	£280 to £329.99	£340 to £389.99
Band 5 20%	£230 to £269.99	£265 to £309.99	£330 to £379.99	£390 to £449.99
Band 6 0%	£270+	£310+	£380+	£450+

\*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.

- 2.1.6 A full diversity impact assessment has been undertaken on the proposed scheme (Appendix 2).
- 2.1.7 It is recognised that whenever changes to a scheme are made, there may be a detrimental impact on some residents where they are moved into a lower 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 CTR scheme.

2.1.8 If the changes to the CTRS are accepted, the risk-based verification policy (see paragraph 1.5) for the administration of CTR claims would no longer be required. Since the introduction of universal credit, the numbers of housing benefit claims have reduced to the point where it would not be financially viable to operate the policy for housing benefit alone.

## 2.2 Consultation on proposed scheme

2.2.1 The consultation process began on 1 October 2021 and finished on 24 December 2021 (12 weeks). The consultation comprised of the following elements:

- Letter sent by post with a link to the online consultation to 6,000 randomly selected council tax payers (non-recipients of CTR), 3,000 pension-age CTR recipients (not directly affected by proposed scheme changes) and all 9,531 working-age CTR recipients.
- Online survey made available on the Medway website with provision of hard copy of consultation document where required
- Social media campaign
- Notification on the Landlord Portal
- Email to Housing Associations, Welfare & Advice Organisations and Support Groups providing details of the consultation and a link to the online survey to comment and disseminate to other relevant stakeholders.
- Posters and flyers at key Council venues and outlets to promote the consultation.
- Consultation was undertaken with the major precepting authorities (Kent Police & Crime Commissioner and Kent Fire & Rescue) who are statutory consultees.

2.2.2 A copy of the consultation document is at Appendix 3

2.2.3 There were 819 responses received during the consultation period. A more important measure is whether the response rate provides a representative sample of the population. This provides the ability to assess how closely the results match the 'true value' by using knowledge of the sample size and how often an answer is given to define a 'confidence' level. For the purposes of this survey, we can assess this against response from the general population and those from residents in receipt of CTRS.

2.2.4 There were 317 responses to the randomly selected residents across Medway out of a population of 263,925; this is sufficient to provide a representative sample of the residents' views on the CTRS proposals with a confidence interval of  $\pm 5.5\%$ . So, for example if 47% of our sample picks an answer you can be 'sure' that if the entire population had been asked that between 41.5% ( $-5.5\%$ ) and 52.5% ( $+5.5\%$ ) would have also picked that answer. At the end of the consultation period there were 502 respondents from CTR recipients out of the 15,738 households that are within the scheme. This provides a confidence interval of  $\pm 4.3\%$ . The 2011 Census population data has been used in this analysis as some demographic

characteristics, such as ethnicity and disability, are not updated as part of the latest population estimates published by the Office for National Statistics.

2.2.5 Detailed results to the proposed changes are contained in Appendix 4. However, headline results are:-

- Whilst under Question 1, 38.33% wished to retain the current CTRS (27.13% said no with 34.54% stating they did not know) this changed significantly once the respondents considered the new proposed Income Grid scheme under Question 6 which saw 67.06% agreeing with its introduction (15.88% stated no with remaining 17.06% stating they did not know).
- All twelve proposed changes (Parts) saw the majority saying they agreed with the proposal. Agreement with each proposal was in the range of 55.53% to 81.16%
- Disagreement with each proposal was in the range of 5.77% to 17.66%
- “Don’t know” response with each proposal was in the range of 12.89% to 29.38%

### 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, quicker and efficient recovery processes combined with ensuring that any appropriate discounts, funding are	Likelihood B (High) Impact 2 (Critical)

Risk	Description	Action to avoid or mitigate risk	Risk rating
		applied to support the claimant.	

#### 4. Financial and legal implications

- 4.1 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.
- 4.2 The cost of the CTRS in 2021/22 based upon caseload is currently estimated at £13.574m.
- 4.3 Since the introduction of CTRS in 2013/14 the Council has awarded hardship relief of £66,000 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.

#### 5. Recommendation

- 5.1 That the Committee comments on the Council Tax Reduction Scheme 2022/23 (Appendix 5) for Cabinet's consideration on 8 February 2022 when it will be asked to recommend the scheme to Council for adoption on 24 February 2022 based on the twelve proposed changes to the existing scheme.
- 5.2 That the Committee comments on the proposal to cease the risk-based verification policy from 1 April 2022 (paragraphs 1.5 and 2.1.8) which will be for Cabinet's consideration on 8 February 2022.

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## Appendices

Appendix 1 - Financial Modelling for new scheme - **To Follow**

Appendix 2 - Diversity Impact Assessment

Appendix 3 - Consultation questionnaire – **To Follow**

Appendix 4 - Consultation results

Appendix 5 - 2022-2023 Council Tax Reduction scheme (Draft) and Prescribed requirements – **To Follow**

## Background papers

None