

# Policy and Resources Committee

29<sup>th</sup> June 2016

Is the final decision on the recommendations in this report to be made at this meeting?

Yes/N  
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## Council Tax Reduction Scheme 2017/2018

<b>Final Decision-Maker</b>	Policy and Resources Committee
<b>Lead Director or Head of Service</b>	Stephen McGinnes, Head of Revenues and Benefits
<b>Lead Officer and Report Author</b>	Stephen McGinnes, Head of Revenues and Benefits
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	All Wards

### This report makes the following recommendations to the final decision-maker:

1. That the Committee notes the findings of the review of the current council tax reduction scheme that was jointly undertaken with other Kent authorities;
2. Notes the potential impact of the proposed changes to the scheme on working age claimants with the protected characteristics of disability, age and sex, under the Equalities Act (2010); and
3. Delegates authority to the Head of Revenues and Benefits to finalise and commence consultation on the council tax reduction scheme to be implemented for 2017/2018.

### This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

### Timetable

<b>Meeting</b>	<b>Date</b>
Corporate Leadership Team	7 <sup>th</sup> June 2016
Policy and Resources Committee	29 <sup>th</sup> June 2016

# Council Tax Reduction Scheme 2017/2018

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The report updates the Committee on the progress that has been made on the review of the Council Tax Reduction Scheme and options for public consultation in advance of taking a decision on the scheme to be implemented for 2017/2018.
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## 2. INTRODUCTION AND BACKGROUND

- 2.1 Council Tax Reduction (CTR) was introduced by the Department for Communities and Local Government (DCLG) in April 2013 as a replacement for the Council Tax Benefit (CTB) scheme administered on behalf of the Department for Work and Pensions (DWP).
- 2.2 As part of its introduction, Central Government set out a number of key elements:
  - The duty to create a local scheme for Working Age applicants was placed with Billing Authorities;
  - Funding was reduced by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
  - Persons of Pension Age, although allowed to apply for Council Tax Reduction, would be 'protected' from any reduction in support through regulations prescribed by Central Government.
- 2.3 Across Kent, a common 'platform' approach was adopted for the design of local schemes, with the new schemes broadly replicating the former Council Tax Benefit scheme but with a basic reduction in entitlement for working age claimants. In Maidstone, working age claimants must pay at least 13% of the council tax liability. In other parts of Kent the percentage varies, with the majority opting for a reduction of 18.5%.
- 2.4 Since its introduction in April 2013, our local scheme has been 'refreshed' annually for data changes, but the core elements remain as were originally agreed.
- 2.5 As mentioned above, the scheme is 'underpinned' by the Kent-wide agreement, which recognises that all the Kent districts (as the billing authorities) will seek to have a common 'platform'. In return, the major precepting authorities (Fire, Police and the County) agreed to collectively pay to each district council an 'administration fee' of £125,000 each year, for three years, to assist with the costs of delivering and managing the scheme.

- 2.6 The original three year period ceased on 31 March 2016, but as reported to Committee in September 2015, it was agreed with Kent County Council, Kent Police and Kent and Medway Fire & Rescue that the scheme would effectively 'roll on' for one more year (i.e. into 2016/17).

### **Scope of Review**

- 2.7 When the new scheme started in April 2013, for approximately 3820 households within Maidstone it meant paying some council tax for the first time. Approximately 2368 other households who received partial assistance saw increases in their bills. The 4691 pensioners receiving assistance were unaffected by the changes.
- 2.8 Collection of the council tax balances has been challenging; however, as Members are aware with focus on these accounts and some changes to recovery procedures, the scheme has been successful. The 'administrative fee' paid by the major precepting authorities has been essential in assisting with the costs of processing applications and in the recovery of debts.
- 2.9 The overall level of applicants, both working age and pension age, has fallen since the introduction of the local scheme with 9662 applicants as at March 2016. On 1 April 2013 there were 10879 working and pension age claimants. As a result, therefore, the total cost of the scheme has fallen since inception.
- 2.10 However, the 90% funding that the government passed on to billing authorities through Revenue Support Grant (RSG) to support the costs of local schemes has effectively been cut with the reductions in local government finance settlements. Therefore, although the costs have reduced due to a lower claimant base, the outcome is that a greater share of the cost burden is falling on the billing authorities and the other major precepting bodies. This outcome has been one of the main catalysts for the review.
- 2.11 A group of Finance Officers and Benefit Managers from the Kent districts and major precepting authorities have been working closely together in setting the objectives of the review, and maintaining a common approach to the design of the local schemes. A consultant has been appointed on behalf of the Kent districts and major precepting authorities, and the costs are being shared. Thus far, the consultant has been assisting in the evaluation of alternative scheme models and will, in due course, assist us with the public consultation process.
- 2.12 The objectives we have collectively agreed are:
- § Having regard to the reductions in grant and the financial pressures we face, to make the scheme(s) less costly (if possible) and more efficient in terms of its operation; and
  - § To have regard to the impact such changes may have on vulnerable residents.

- 2.13 It has been recognised by the Kent Finance Officers' Association that the contributions that the major precepting authorities pay towards the administration of the scheme are essential. Changes to the local scheme could potentially lead to a need to collect even more council tax from individuals who may find it difficult to pay; as well as those individuals finding the resultant changes difficult to comprehend.
- 2.14 Therefore, in parallel with the review of the local schemes, representatives from the Kent district councils are working with the major precepting authorities to formulate a new funding 'model' for assistance towards the administrative costs. At the time of writing the work is at an early stage, but it is likely that the model will include a smaller 'flat rate' grant topped up by a share of any additional proceeds as a result of our taxbase increasing.
- 2.15 Clearly, the arrangements will need to be sufficient to incentivise the districts to undertake the additional work, and it will be essential that the arrangement is consistent across all districts and there are long term arrangements to ensure certainty of funding. Discussions are underway in this regard, but Members are assured that the major preceptors are committed to working with us towards a mutually acceptable solution.
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### **3. AVAILABLE OPTIONS**

- 3.1 In liaison with the consultant, the Kent Finance Officers' group has considered a wide range of options for potential change having regard to the objectives set out at paragraph 2.13 and the 'suitability' for Kent. The full options appraisal is contained in Appendix A.
- 3.2 Our conclusion is that the most practical option would be to maintain a scheme similar to our current scheme (see option 7 in Appendix A). This is because:
- It is known to our claimants and largely mirrors the housing benefit (HB) system, reducing complexity;
  - Our systems are adapted for this type of scheme, the changes can therefore be implemented with little additional cost; and
  - Our staff are familiar with the administration of this type of scheme and, as it is aligned to HB, enabling us to continue to take advantage of 'economies of scale'.
- 3.3 In respect of the link to HB mentioned above, we cannot overlook the fact that, as we transition towards the full introduction of Universal Credit (UC), the future of HB for working age claimants is unclear. That said, it is difficult to assess the longevity of HB and, therefore, how long councils will need to maintain a 'skill set' for its administration. The roll-out of UC has been further delayed and not likely to be completed until 2021 at the earliest. In addition, there is a strong likelihood that the pensioner caseload will remain on HB for the foreseeable future, which would mean that billing authorities would need to retain a workforce that has the skills to administer the HB scheme.

- 3.4 In order to meet the challenges of funding pressures, some adjustments to the current scheme must be considered. Initially, the major precepting authorities had suggested that we seek to reduce the cost of the scheme through the increase in the minimum contribution rate (currently 13% for working age claimants in MBC area) and Members may be aware that Medway Council has recently increased its minimum contribution rate to 35%. However, evidence suggests that there is a "tipping point" (somewhere between 20% and 25%) after which collection rates are affected significantly. This 'tipping point' tends to affect claimants on low or fixed incomes; particularly single persons and couples with no dependants. Increasing the minimum % that a working age claimant needs to pay beyond a "tipping point" could be counter-productive and unrealistic.
- 3.5 Nevertheless, for the reasons set out in paragraph 2.11, it is important that we seek to reduce the overall costs whilst maintaining fairness and a sense of 'reality' as to what is feasible. Therefore, it is felt that a combination of, or a selection from, Options 7 (a – h) in [Appendix A] built onto the current scheme may be more appropriate in meeting the objectives we have set.
- 3.6 Members will note from option 7e at [Appendix A] that, bearing in mind the recent decisions by central government about potential reductions in Personal Independence Payments (PIP), and the potential negative impact on people with disabilities, carers and some age groups, it is not recommended that we consult on the inclusion of Disability Living Allowance (DLA) and PIP in the assessment of total income. It is recommended, however, testing the water through the consultation process on the inclusion of child maintenance in the assessment of total income. Until as recently as 2009, the income sources were not disregarded within the former Council Tax Benefit Scheme, and some councils have reverted to including this income source in their local CTR schemes. As there are potential negative impacts on female claimants and some age groups, this is potentially controversial in the same way as PIP and DLA, but on balance it is felt that the concept should be tested with the public through a consultation.
- 3.7 Conscious of the potential impact of changes on vulnerable residents (objective 2 in paragraph 2.13), including those with protected characteristics under the Equality Act 2010 it is important that an 'Exceptional Hardship' policy is integral to the new scheme. Whilst details of this policy still need to be drawn up, it is anticipated that applications would be accepted where claimants have qualified for CTRS but are in need of further support due to severe financial hardship.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Taking into account all the matters referred to above, it is recommended that the Council retains a scheme similar to the current one and consults the public on the potential integration into that scheme of Options 7(a - h) as set out in [Appendix A].

- 4.2 A combination of some, or all, of these possible options may be required in order to achieve the objective of reducing overall costs. It is our intention that the resultant scheme will retain some longevity, certainly until there is more certainty about the full roll-out of UC. An important feature of the new scheme would be the adoption of an Exceptional Hardship policy to protect those who may otherwise experience severe financial hardship.
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## **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 Prior to the implementation of any change to Council Tax Reduction Schemes (CTRS), authorities are required to consult with the public. There have been a number of legal challenges to CTRS consultations and it should be noted that a recent judgment handed down by the Supreme Court has defined what is meant by 'good consultation'.
- 5.2 The guiding principles which have been established through case-law for fair consultation are as follows:
- The consultation must be carried out at a stage when proposals are still at a formative stage;
  - Sufficient information on the reasons for the decision must be provided to permit the consultees to carry out intelligent consideration of the issues and to respond;
  - Adequate time must be given for consideration and responses to be made; and
  - The results of the consultation must be properly taken into account in finalising any decision.
- 5.3 The Kent Finance Officers' group are currently working closely with the consultant to prepare robust and consistent consultation material that can be individually 'branded' by each district council within Kent. A draft copy of the consultation is attached at appendix B, with the consultation scheduled to start early July, thus allowing 8 weeks for members of the public and other relevant stakeholders to comment.
- 5.4 It is anticipated that the consultation will be primarily web-site based, with a paper copy sent to a sample of claimants and non claimants to draw their attention to the consultation and encourage them to participate. Additionally, it will be important to involve stakeholder groups such as the CAB, local debt advice agencies, registered social landlords and other organisations with a significant interest, to obtain their views.
- 5.5 There is also a duty to consult with the major precept authorities (County Council, Fire and Police) who are statutory consultees. Work has already commenced with the major precept authorities and will continue throughout the project.
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## **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The outcome of the consultation will be reported to Policy and Resources Committee at their meeting on the 26th October 2016, with a recommendation of the scheme to be implemented for 2017/2018.
- 6.2 A decision on the final scheme to be implemented is required by Full Council by the 31st January 2017.
- 6.3 The final scheme will be publicised through the local press with any households affected by specific changes also notified in writing in advance of any change, which will take effect from 1st April 2017.

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>		Head of Revenues and Benefits
<b>Risk Management</b>	No impact	Head of Revenues and Benefits
<b>Financial</b>	The National Council Tax Benefit Scheme was replaced with a locally determined discount scheme in 2013/14. This transferred the liability for Council Tax Benefits to the Council and has reduced the amount of Council Tax that can be collected. Since then, the Council's Revenue Support Grant has continued to fall and by 2017/18, all funding will have been withdrawn. The present scheme costs the Council and preceptors around £8.8m per year, but with the government funding cuts levied, benefit expenditure reductions need to be made to contribute to the overall savings that need to be made.	Paul Riley, Head of Finance
<b>Staffing</b>	No impact	Head of Revenues and Benefits
<b>Legal</b>	The Local Government Finance Act 1992 requires Council to approve a scheme for 2017/18 by 31 January 2017.  The Act contains a statutory duty to consult on a proposed scheme. As mentioned at paragraph 5.1, case-law has determined the guiding principles for fair consultation which we will follow.	Estelle Culligan, Deputy Head of Legal Partnership
<b>Equality Impact Needs</b>	Decision-makers are reminded of the	Anna Collier,

**Assessment**

requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

The decisions recommended through this paper could directly impact on end users. The impact has been analysed and varies between groups of people. An equality impact assessment has found that: :

**Current Scheme**

- All working age claimants have received a reduction in their benefit amount.
- Pension age claimants, who will also have protected characteristics, have not received a reduction, as they are protected from any changes.
- People in receipt of council tax reduction with disabilities, carers and families with children receive a level of support higher than claimants without those characteristics, as a result of receiving additional allowances within the current scheme.

**Proposed changes to the scheme from 2017:**

- The changes proposed for consultation will continue to maintain a range of additional allowances and income disregards for people with disabilities and carers and apply a consistent percentage reduction to the benefit award for all people of working age.
- All options could impact on working age claimants with one or more of the protected characteristics of disability, age, sex or race, to varying degrees. The extent of these impacts will be considered further following the consultation.
- The possible introduction of an exceptional hardship scheme will be considered as an action to mitigate

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	any possible impacts and will be considered further following the consultation.	
<b>Environmental/Sustainable Development</b>	No impact	Head of Revenues and Benefits
<b>Community Safety</b>	No impact	Head of Revenues and Benefits
<b>Human Rights Act</b>	No impact	Head of Revenues and Benefits
<b>Procurement</b>	No impact	Head of Revenues and Benefits
<b>Asset Management</b>	No impact	Head of Revenues and Benefits

## **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A: Scheme options
- Appendix B: Draft consultation
- Appendix C: Equality Impact

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## **9. BACKGROUND PAPERS**

- Report by ACS Consultancy