

MAIDSTONE BOROUGH COUNCIL

CABINET

THURSDAY 28 NOVEMBER 2013

REPORT OF DIRECTOR OF ENVIRONMENT AND SHARED SERVICES

Report prepared by Stephen McGinnes

1. LOCAL COUNCIL TAX SUPPORT SCHEME

1.1.1 Issue for Consideration

1.1.2 To consider the Local Council Tax Support Scheme to be implemented from 1st April 2014.

1.2 Recommendation of Director of Environment and Shared Services

1.2.1 That having noted the potential impact on claimants including those with disabilities, carers and other working age groups; that Cabinet recommends to Full Council that the Local Council Tax Support Scheme, as detailed in Appendix A, is introduced from 1st April 2014.

The proposed scheme will reduce the level of support previously provided through the national council tax benefit scheme by 13%.

1.2.2 That the Director of Environment and Shared Services, in consultation with the Cabinet Member for Corporate Services be given delegated authority to make such future changes as are necessary to maintain the effective operation of the scheme.

1.3 Reasons for Recommendation

1.3.1 As part of the changes introduced through the Welfare Reform Act the national scheme for council tax benefit was abolished from 31 March 2013 and replaced by a requirement to determine a local discount scheme.

1.3.2 In responding to that change a number of options were explored and presented to Cabinet in July 2012, with Cabinet identifying the preferred scheme to be a 13% reduction in council tax benefit

entitlements, whilst otherwise retaining the existing rules and criteria.

- 1.3.3 At the same time Cabinet proposed a number of changes to the council tax discounts and exemptions for empty properties, the additional revenue from which would help meet the shortfall in the proposed council tax support scheme funding.
- 1.3.4 A public consultation was undertaken between 6 August 2012 and 8 October 2012 to outline and seek views on three primary options identified by Cabinet as set out below.
- Option 1 - reduce benefit awards by 24.5% to reflect in full the reduction in government grant and protection of pensioners;
 - Option 2 - reduce benefit awards by 18.5% and reduce the discount for empty homes from 6 months to 3 months;
 - Option 3 - reduce benefit awards by 13%, reduce discounts for empty homes from 6 months to 1 month and remove the 10% discount for second homes.
- 1.3.5 A total of 786 responses were received with option 3, the Councils preferred scheme, receiving the greatest support (48.2%).
- 1.3.6 The response from ethnic groups and disabled people showed a higher proportion of respondents agreeing with none of the options. The free text comments received as part of the survey response and feedback from consultation meetings, provided a consistent response in highlighting concerns regarding the impact of additional cost to low income households and accumulative impact of benefit changes on vulnerable customers groups such as the disabled.
- 1.3.7 On the 18 October 2012 the Department for Communities and Local Government announced the introduction of a £100 million transitional fund to help Councils lessen the impact for residents in year 1. It is important to note that the fund only applied to the first year (2013/14) with the Council required to meet certain criteria to qualify for funding.
- 1.3.8 The funding criteria required that the Council's local scheme pass on an increase of no more than 8.5% in the first year for those currently receiving full benefit and provide for no sharp reduction in support for those entering work. In meeting that criteria the Council qualified for an additional grant of £239,445 in the first year.

1.3.9 Following consideration of the consultation results and opportunity provided through the transitional fund, Cabinet made the following recommendation which was agreed at Full Council in December 2012:

That a Local Council Tax Support Scheme be adopted which introduces the following changes:-

- An 8.5% reduction in the rate of Council Tax Support applicable to all working age households during 2013/14, whilst otherwise maintaining the structure of the current national Scheme;
- A 13% reduction in the rate of Council Tax Support applicable to all working age households during 2014/15 and 2015/16, subject to the future demand and grant received for the Scheme.

That the Director of Regeneration and Communities, in consultation with the Cabinet Member for Corporate Services, be given delegated authority to make such changes as are necessary to maintain the operational effectiveness and viability of the Scheme between 2013/14 and 2015/16.

That a substantive review of the Scheme be undertaken in 2015/16, with any recommended changes to the Scheme being presented to Cabinet for implementation from 2016/17.

1.3.10 Since making the decision in December 2012, the Council implemented a scheme in April 2013 where persons eligible for Council Tax Support would pay a minimum contribution of 8.5% towards their liability. The Local Government Finance Act 2012 states that a public consultation must take place if a scheme is either amended or replaced. The increase from 8.5% to 13% for 2014/15 is considered a change under the legislation.

1.3.11 A further consultation has therefore been undertaken which includes a direct mailing to a sample of 500 households in receipt of council tax support and wider participation through voluntary sector partners and the wider taxpayer through an online survey.

1.3.12 The consultation set out 2 primary options. Option 1, to reduce benefit awards by 18.5% and option 2, to reduce benefits awards by 13%.

- 1.3.13 A total of 61 responses were received to the consultation, with 55% identifying option 2 as their preferred scheme. Further analysis of the results is provided as appendix C.
- 1.4 Alternative Action and why not Recommended
- 1.4.1 If the Council fails to adopt a replacement scheme from 1st April 2014 the scheme in its current format will continue, without the benefit of the transitional funding, resulting in an additional cost to Maidstone Borough Council, KCC, Police and Fire Service.
- 1.4.2 The Council could look to vary the suggested reduction in benefit to either increase or reduce the level of support to low income households, however, it needs to balance the affordability of any increase for low income households with the wider interest of the council tax payer.
- 1.5 Impact on Corporate Objectives
- 1.5.1 The proposed changes have a significant impact on local communities, customers and value for money through the way in which the council manages public finances.
- 1.5.2 The changes introduced through the Welfare Reform agenda and Local Council Tax Support Scheme are aimed at providing greater work incentives, which have the potential to positively impact on the economic prosperity of those returning to employment as well as the wider community.
- 1.5.3 The immediate implication of the change will be a reduction in the level of support and increased financial burden for individuals and families on low incomes.
- 1.6 Risk Management
- 1.6.1 Any reduction in benefit will increase the risk of financial hardship for low income households, potentially resulting in increased complaints and a reduction in the council tax collection rate.
- 1.6.2 Provision has been made for an increase in bad debt within the budget process and the council will work with other agencies and partners to support those residents with money and debt advice services.
- 1.6.3 The level of future grants received from the Department for Communities and Local Government to meet the cost of the council tax support scheme is expected to reduce in future years. In doing

so, the council will have to identify alternative funding or savings to maintain the proposed scheme in the longer term or consider further reductions in the support made available.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	
3.	Legal	x
4.	Equality Impact Needs Assessment	X
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	X
8.	Procurement	
9.	Asset Management	

1.7.2 **Financial** - The expected government grant for 2014/15 is £9,040,000 against an estimated cost (based on the proposed 13% reduction) of £9,607,000.

The £567,000 shortfall is expected to be met in full through changes introduced from April 2013 to the discounts and exemptions applicable to empty properties. To retain the scheme at 8.5% would have resulted in a shortfall of £827,000.

1.7.3 **Legal** - the Legal implications under the Local Government Finance Act 1992 would be that if Full Council does not approve the increase by 31 January 2014, it will be unlawful to implement the 13% increase.

1.7.4 **Equality impact needs Assessment** - An equality impact assessment has been undertaken and demonstrates that people in receipt of council tax support with disabilities, carers and families with children receive a level of support higher than the average of people without those characteristics.

That is because people with those characteristics receive additional allowances within the calculation and have certain types of income disregarded to recognise their needs.

The proposed scheme will continue to maintain that range of additional allowances and income disregards for people with those characteristics and apply a consistent percentage reduction to the benefit award for all people of working age.

In doing so the level of financial reduction will vary dependent on the level of benefit entitlement, with those households receiving a higher level of benefit experiencing a greater impact than those receiving less benefit. As people with disabilities, carers and families with children receive on average a higher level of benefit for the reasons set out above, the changes will have a greater impact on those households. Whilst the results from the consultation support the view that a majority of people, including those with a disability, support the recommended approach, a higher percentage of people with those characteristics stated that they agree with none of the options listed.

A copy of the full equality impact assessment is provided as appendix D.

- 1.7.5 **Human Rights Act** - The proposed changes have the potential to materially impact on individuals and families through the reduced support available in the form a Local Council Tax Discount.

Consideration has therefore been given regarding the impact on Human Rights with particular emphasis given to the impact on; respect for private and family life, protection from discrimination and protection of property.

The proposed scheme is considered to provide the appropriate balance in supporting those residents requiring support through the scheme and the wider public interest of residents and services within the borough.

1.8 Conclusions

- 1.8.1 The proposed scheme looks to provide the correct balance between supporting low income households, the wider interest of residents in the borough and budget constraints on the council.

- 1.8.2 In adopting the scheme as set out in appendix A and moving from the 8.5% reduction provided through the transitional scheme to 13%, the council will continue to limit the impact on low income households, without adding further to the general level of council

IS THIS A KEY DECISION REPORT?

THIS BOX MUST BE COMPLETED

Yes

No

If yes, this is a Key Decision because:

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Wards/Parishes affected:

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tax or reducing the services otherwise to be provided by the council.

Relevant Documents

None

Appendices

- Appendix A – Local Council Tax Discount Scheme
- Appendix B – Consultation Output Report (2012)
- Appendix C – Consultation addendum (2013)
- Appendix D – Equality impact Assessment

Background Documents

None
