

**MAIDSTONE BOROUGH COUNCIL**

**COUNCIL**

**10 DECEMBER 2014**

**REPORT OF THE CABINET HELD ON 8 OCTOBER 2014**

**LOCAL COUNCIL TAX DISCOUNT SCHEME**

**Issue for Decision**

To agree to maintain the Local Council Tax Discount Scheme at its current level from 1<sup>st</sup> April 2015, providing a 13% reduction in the former national council tax benefit scheme.

**Recommendation Made**

That the Local Council Tax Discount Scheme be maintained from 1<sup>st</sup> April 2015 at its current level, providing a 13% reduction in the former national council tax benefit scheme as set out in Appendix A.

**Reasons for Recommendation**

The Cabinet considered the report of the Head of Revenues and Benefits Shared Service regarding the Local Council Tax Discount Scheme and noted the recommendations of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee held on 5<sup>th</sup> August 2014.

However, Cabinet did feel that the recommendation made in paragraph 1.2.3 of the report of the Head of Revenues and Benefits Shared Service that delegated authority be given to make technical changes as are necessary to maintain the effective operation of the scheme should be omitted.

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.

In responding to that change a number of options were 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.

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.

A public consultation was undertaken 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.

A total of 786 responses were received with option 3, the Council's preferred scheme, receiving the greatest support (48.2%).

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 the first year of the scheme.

The funding criteria required that the Council's local scheme pass on an increase of no more than 8.5% in the first year and provide for no sharp reduction in support for those entering work. An additional grant of £239,445 was made available to the Council in the first year.

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.

- 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.

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 was considered a change under the legislation.

A further consultation was therefore undertaken which included 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.

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%. A

total of 61 responses were received to the consultation, with 55% identifying option 2 as their preferred scheme.

Following consideration of the consultation results, it was agreed through Full Council that a Local Council Tax Support Scheme be adopted with a reduction of 13% in the rate of Council Tax Support applicable to all working age households during 2014/15.

#### Strategic Leadership and Corporate Services Overview and Scrutiny Committee

The committee identified the local council tax discount scheme as an item for consideration in their 2014/15 work programme and decided to consider the issue in two parts, the scheme for 2015/16 and the longer term operation of the scheme following the end of the current 3 year county agreement.

In considering the scheme to be implemented for 2015/16 the committee was mindful of the demanding timeframe for implementation and decided at their meeting on the 8<sup>th</sup> July 2014 to set up a sub group to consider the detail of the current scheme and options for how the scheme could operate in 2015/16.

A workshop was held on the 17<sup>th</sup> July which was attended by Cllr Gooch, Cllr Butler, Cllr Grigg, Cllr Edwards-Daem and Cllr McKay. The workshop was supported by Paul Riley, Head of Finance and Resources, Gary Hunter, Benefits Manager, Christian Scade, Senior Corporate Policy Officer and Stephen McGinnes, Head of Revenues and Benefits.

During the course of the workshop the committee explored the funding available to finance the future scheme, the operation and impact of the current scheme and a range of alternative schemes.

The alternative schemes were provided to demonstrate the impact on residents and the council in varying the current scheme and included the following:

- Option 1 – retaining the current scheme (13% reduction)
- Option 2 – remove council funding (18.65% reduction)
- Option 3 – county scheme (18.5% reduction)
- Option 4 – increase council funding (no reduction)
- Option 5 – vary criteria (2<sup>nd</sup> adult rebate, backdating, capital)
- Option 6 – increase council funding (protect disabled people and carers)

In considering any change to the scheme it was agreed that it was necessary to balance the cost of the scheme with the impact on working age residents in receipt of the discount.

The sustainability of the scheme was also highlighted as an issue with no increase in grant funding expected and the cost of the scheme to increase in line with the council tax. Given the need for many residents to budget for such costs it was also considered desirable to maintain a level of consistency in the level of payment required.

In considering the options against the criteria the consensus was that options 2, 3 and 6 within the report of the Head of Revenues and Benefits Shared Service were unaffordable or would provide an unreasonable increase for residents receiving a discount.

The existing scheme (option 1) was considered to provide a reasonable balance in terms of cost to the council and impact on residents.

Option 5 received some support, although there was concern that the reduction from 13% to 9.5% would be funded by reducing the discount for other residents. The following risks were also discussed:

- Removal of 2<sup>nd</sup> adult rebate may prompt the owner to ask the 2<sup>nd</sup> adult to leave, thus increasing pressures on housing and cost of temporary accommodation.
- Backdating of awards is already restricted to cases where "good cause" has been shown for the delay. Removing discretion will risk impacting on vulnerable residents that may have been prevented from claiming due to age, ill health or bereavement.
- Reducing the capital limit may discourage saving and have a disproportionate impact on those that are seeking short term support between periods of employment.

In addition to the scheme to be implemented, members of the workshop discussed the recovery processes adopted by the council and availability of local discretion to support cases of hardship. It was reported that officers were in the process of finalising a debt recovery policy to cover such issues and there was general agreement that it would be useful for scrutiny to review the policy when available.

The committee made the following recommendation:

That Cabinet considers the following options when making the recommendation to Full Council as to the Local Council Tax Discount Scheme to be implemented in 2015/16.

- Maintaining the current 13% reduction for working age households (option 1)
- Reducing the level of reduction for working age households to 9.5% with the additional cost met through the removal of the discount available for 2<sup>nd</sup> adult rebate, provision for backdated awards and reduction in the capital limit to £6000. (option 5)

That the committee seeks a further update during November to decide on how best to approach the wider review of the scheme at the end of the current three year agreement.

That the committee consider including the Debt Recovery Policy within their future work programme.

### **Alternatives considered and why rejected**

A number of options have been considered and discounted as part of the review by Overview and Scrutiny due to their impact or cost. In considering the two recommended schemes (option 1 and option 5) it was felt that the risks identified in implementing option 5 outweighed the potential benefit of the scheme.

The existing scheme (set out in option 1) was considered to provide a reasonable balance in terms of cost to the council and impact on residents.