

MAIDSTONE BOROUGH COUNCIL

COUNCIL

9 DECEMBER 2015

**REPORT OF THE POLICY AND RESOURCES COMMITTEE HELD ON
21 OCTOBER 2015**

COUNCIL TAX REDUCTION SCHEME

Issue for Decision

The Council is asked to consider the Local Council Tax Reduction Scheme to be applied during 2016/17.

Recommendation Made

That having noted the potential impact on claimants including those with disabilities, carers and other working age groups, the Council Tax Reduction Scheme be maintained from 1st April 2016 at its current level.

Reasons for Recommendation

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.

Government funding for the local scheme was reduced by 10% from 1st April 2013 and a requirement made that awards for claimants of pensionable age be protected from any reduction. The pensioner caseload represents 43% of the overall caseload.

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 by 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 by 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, with the scheme reconfirmed through Council for 2015/16.

The scheme adopted was endorsed by Kent County Council and the other major preceptors, with the same model adopted throughout Kent, with some local variations. By adopting the "County" scheme the council received £125,000 per annum towards the cost of administration from the major preceptors.

Alternatives Considered and Why Not Recommended

A range of alternative options for 2015/16 were considered through the Strategic Leadership and Corporate Services Overview and Scrutiny committee as part of their 2014/15 work programme.

During the course of the review 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 including:

- 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 (2nd adult rebate, backdating, capital)
- Option 6 – increase council funding (protect disabled 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 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 that criteria the consensus was that options 2, 3 and 6 were unaffordable or would provide an unreasonable increase for residents receiving a discount. It was felt that the risks in implementing option 5 outweighed the potential benefit of the scheme.

The existing scheme (option 1) was considered to provide a reasonable balance in terms of cost to the council and impact on residents, which was subsequently recommended by Cabinet and approved by Full Council for 2015/16.

The work with overview and scrutiny was completed for the current year's scheme but remains valid for consideration of the scheme for 2016/17.

A copy of the Scheme, which Council at its meeting on 10 December 2014, agreed to maintain at its current level can be found via this link <http://services.maidstone.gov.uk/meetings/documents/s39631/AppACouncilTaxReductionSchemeMaidstone2013.pdf>