

Policy and Resources Committee

**23rd November
2016**

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

No

Council Tax Reduction Scheme 2017/2018

Final Decision-Maker	Council
Lead Head of Service	Stephen McGinnes, Director Mid Kent Services
Lead Officer and Report Author	Stephen McGinnes, Director Mid Kent Services
Classification	Public
Wards affected	All

This report makes the following recommendations to this Committee:

1. That having noted the outcome of the public consultation and considered the potential impact of the proposed changes on working age claimants with the protected characteristics of disability, age and sex, under the Equalities Act (2010); that the Committee recommends to Council that the council tax reduction scheme be amended to reflect the changes identified at point 4.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable

Meeting	Date
Policy and Resources Committee	23 rd November 2016
Council	7 th December 2016

Council Tax Reduction Scheme 2017/2018

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The report provides the outcome of the public consultation on proposed changes to the council tax reduction scheme and an updated equality impact assessment, which members are required to consider in making recommendation on the scheme to be implemented from April 2017.
- 1.2 Council Tax Reduction provides financial assistance in the form of a rebate on the council tax bill to approx. 9000 low income households, at a total cost of £8.8m per year.
- 1.3 Prior to the localisation of the scheme in 2013 the cost of this support was met in full through an annual grant from the Department for Work and Pensions. Since that point funding has been incorporated within the council's revenue support grant which has seen year on year reduction and will be fully withdrawn from April 2017. Maidstone BC's share of the cost of the scheme is approximately £1.3m.
- 1.4 In considering any amendment to the current scheme the council needs to balance this reduction in funding with the need to support low income households and the wider interest of the council tax payer.

2. INTRODUCTION AND BACKGROUND

- 2.1 At the meeting of the Policy and Resources Committee on the 26th October 2016 members sought clarification regarding the following points to assist in decision making.
 - The financial impact of the different options (Appendix A)
 - The cumulative impact of changes (Appendix A)
 - Possible changes to the recommendation following further analysis of the impact (paragraph 4.1)
 - Any unintended impact in relation to homelessness (paragraphs 4.2 & 4.5)
 - Comparison with other boroughs within Kent (Appendix E)
- 2.2 In response to that request the impact of proposed changes has been reviewed and the recommendations amended to reflect the concerns of the committee. The reasons for change are set out within the

body of the report, with details of impact and cumulative impact set out within Appendix A.

2.3 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).

2.4 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 CTB scheme; and

Residents of Pension Age, although allowed to apply for CTR, would be 'protected' from any reduction in support through regulations prescribed by Central Government.

2.5 Across Kent, a common 'platform' approach was adopted for the design of local schemes, with the new schemes broadly replicating the former CTB 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. The figure of 13% represented the 10% funding loss applied to the working age caseload across Kent. In other parts of Kent, the percentage varies.

2.6 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.

2.7 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'. The original three year period of that scheme 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).

2.8 With funding for the scheme through Revenue Support Grant (RSG) subject to further cuts as part of the reductions in local government finance settlements, a greater share of the cost burden has continued to fall on billing authorities and the other major precepting bodies. From April 2017 Maidstone will receive no RSG from central

government in relation to the cost of the scheme. This has been one of the main catalysts for the scheme to be reviewed.

- 2.9 To review the scheme a group of finance officers from the Kent districts and major precepting authorities worked together to set objectives for the review which were agreed to be:

Having regard to the reductions in grant and the financial pressures facing the council, to make the scheme less costly (if possible) and more efficient in terms of its operation; and

Having regard to the impact such changes may have on vulnerable residents.

- 2.10 Following consideration of a range of options all of the districts in Kent, with the exception of Medway, consulted on similar amendment to their scheme. Details of the recommendations being made across the county are included within Appendix E.

- 2.11 It is worth noting that all districts are recommending a reduction in the maximum level of support (option 1) and making changes to align their scheme with wider welfare system (options 2,3,5,11 and 12). The remaining options are being implemented in most Kent districts with the exception of child maintenance (option 8) which is only being considered by two other districts.

- 2.12 Whilst the council is required to confirm its CTR scheme annually, the intention would be for any revised scheme agreed for 2017/2018 to remain in place for a period of 3 years.

3. AVAILABLE OPTIONS

- 3.1 Following a consideration of a range of options (reported to P&R Committee 29th June 2016) the committee decided that the most practical option would be to maintain a scheme similar to our current scheme and consult on possible adjustments to make it more affordable.

- 3.2 The primary reasoning being that;

It is known to our claimants and it largely mirrors the housing benefit (HB) system, reducing complexity;

The councils systems are adapted for this type of scheme, the changes can therefore be implemented with little additional cost; and Benefit staff are familiar with the administration of this type of scheme and, as it is.

3.3 Having completed that consultation the council can decide to :

Do nothing – maintain the existing CTR scheme without making any changes with the reduction in funding to be met through other service changes.

The council currently has a savings target of £4.1m over the next 4 years in order to meet the wider reduction in grant income. Making the proposed changes contribute £133,000 per annum to that savings requirement.

3.4 Amend the existing CTR – The council has identified and consulted on 13 possible changes to its scheme, as summarised at 4.1. The council could implement all of the changes identified or any combination of changes.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 Given the financial challenge facing the council it is recommended that the council implements the changes set out below, with the financial impact of each change set out within appendix A. Proposals no longer recommended, as compared with the recommendations in the original report to Policy and Resource Committee, are indicated by 'reject' in the recommendation column.

	Recommendation	Reason
Option 1 - Reducing the maximum level of support for working age applicants from 87% to 80%	Implement	Change will increase the minimum contribution across all working age households. Consultation findings support change.
Option 2 - Removing the Family Premium for all new working age applicants	Implement	Change related to new claims for support and is to align the CTR with changes within the wider welfare system. Consultation findings support change.
Option 3 - Reducing backdating to one month	Reject	Backdated awards are only granted where good cause is shown for the delay in claiming. Restricting the period claims can be backdated could disproportionately impact on disabled residents and those residents requiring assistance to claim.

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<p>Option 4 - Using a minimum income (notional income) for self-employed earners after one year's self-employment</p>	<p>Implement</p>	<p>Residents that are unable to earn a reasonable income through self employment (equivalent to 35 hrs at minimum wage) following 12 months of trading should be encouraged to seek paid employment in order to become more financially independent.</p> <p>Allowances to be made for customers with caring responsibilities that prevent 35hrs work.</p> <p>Consultation findings support change.</p>
<p>Option 5 - Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Reduction to four weeks</p>	<p>Implement</p>	<p>To align the CTR with the wider welfare system</p> <p>Consultation findings support change.</p> <p>Scope to address exceptional cases of vulnerability through hardship scheme (option 13)</p>
<p>Option 6 - Reducing the capital limit from the existing £16,000 to £6,000</p>	<p>Implement</p>	<p>Capital limit of £6000 represents a reasonable amount to be held in savings for emergencies. (3 months income)</p> <p>With a significant number of residents believed to hold less than £6000 savings, any higher allowance could be perceived as unfair to those residents meeting the cost of the scheme through their council tax.</p> <p>Consultation findings support change.</p>
<p>Option 7 - Introducing a standard level of non-dependant deduction of £10 for all claimants who have non-dependants resident with them.</p>	<p>Implement</p>	<p>A single rate of deduction provides an incentive to take employment and increase income, with no increased contribution required as earnings increase.</p> <p>A standard deduction is less intrusive with no evidence of income required for other household members, also easing administration for the council.</p> <p>Consultation findings support change.</p>
<p>Option 8 – Taking any Child Maintenance paid to a claimant or partner into account in full in the calculation of Council Tax Reduction</p>	<p>Reject</p>	<p>Levels of child poverty are projected to increase as a result of wider welfare reform changes.</p> <p>Introducing child maintenance as income within the calculations of CTR on top of those changes would contribute to higher levels of child poverty. (See 4.2)</p>

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<p>Option 9 - Restricting the maximum level of Council Tax Reduction payable to the equivalent of a Band D charge</p>	<p>Implement</p>	<p>99% of residents in receipt of CTR and 71% of all residents live in a property in band D or below.</p> <p>Subsidising council tax charges above the value of band D could be perceived as unfair to those residents meeting the cost of the scheme through their council tax.</p>
<p>Option 10 – Removing Second Adult Reduction from the scheme</p>	<p>Implement</p>	<p>Second adult rebate does not consider the means of the main householder to meet the council tax liability. Where the main householder is on a low income they would be able to claim independently for CTR.</p>
<p>Option 11 - Removing the work related activity component in the calculation of Council Tax Reduction</p>	<p>Implement</p>	<p>Change brings CTR in line with wider welfare system.</p> <p>Consultation findings support change.</p>
<p>Option 12 - Limiting the number of dependent children within the calculation for Council Tax Reduction to a maximum of two</p>	<p>Implement</p>	<p>Change brings CTR in line with wider welfare system, with change applied to new claims only.</p> <p>Promotes fairness and balance with interest of wider council tax payer.</p> <p>Consultation findings support change.</p>
<p>Option 13 – Introducing a scheme, in addition to Council Tax Reduction, to help applicants suffering exceptional hardship</p>	<p>Implement</p>	<p>Provides flexibility to safeguard cases of exceptional hardship. Detailed policy for the award of such support will be separately reported to the committee for consideration.</p> <p>Consultation findings support change.</p>

4.2 Wider Impact - The Institute for Fiscal Studies forecast that if national policy remains unchanged with regards to planned cuts to benefits projected trends in absolute poverty diverge significantly between different groups.

Child poverty is an area of particular concern, projected to increase from 15.1% in 2015–16 to 18.3% in 2020–21. This increase is expected to be driven entirely by a sharp rise in poverty among families with three or more children, which is itself the result of planned tax and benefit reforms.

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- 4.3 Whilst any reduction in CTR and increase in the council tax payable by low income households risks an increase in poverty, the decision to continue to disregard child maintenance goes some way to limit any further increase in child poverty.
- 4.4 Homelessness impact - Given the increases that the council has experienced in homelessness consideration should be given to any adverse impact on homelessness through the changes being considered.
- 4.5 Both national and local data support the fact that financial changes have an impact, with 4% of homelessness caused due to rent or mortgage arrears. However, the primary cause for homelessness is linked to the high demand for accommodation in the sector. The council has identified no link in the increase in homelessness to welfare reform and a change to the level of support through CTR is unlikely to have any measurable impact on homelessness.

End of assured shorthold tenancy / loss of rental	40%
Relative or friend no longer willing to accommodate	27%
Relationship breakdown	16%
Rent or mortgage arrears	4%
Other	15%

- 4.6 Cumulative impact – Whilst option 1 (percentage reduction) applies to the entire working age caseload, only 55 cases within the current CTR caseload would otherwise be affected by more than 1 other change, with that number further reduced should the committee decide to remove the option for child maintenance. Where a resident is affected by more than 1 other change their entitlement to Council Tax support is likely to be fully removed.

Self empl (option 4)	Band D (option 9)	Child Main (option 8)	Non-Dep (option 7)	Weekly Impact
6 households				£24.37 (entitlement removed)
7 households				£24.37 (entitlement removed)
2 households				£24.37 (entitlement removed)
	29 households			£15.39
	6 households			£16.00 (entitlement removed)
5 households				£24.37 (entitlement removed)

It can be seen that the cumulative impact of the changes applies to relatively few claimants and by removing option 8 it is reduced still further.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Following the report to Policy and Resources Committee on the 29th June a public consultation was undertaken between 1 July and 24 August 2016.
- 5.2 The survey was carried out online, with a direct email to approximately 9,000 households and was promoted on the council's website, social media and in the local newspaper. Paper copies were available in the Gateway and on request. An additional 150 paper surveys were sent via direct mail to residents aged 75 years and over (who are less likely to engage with us online), and a reminder email was sent to 230 payees aged 18 to 24 years to boost the responses from these groups.
- 5.3 The survey was open to all Maidstone borough residents aged 18 years and over (i.e. people who pay council tax or receive council tax reduction) with the results weighted according to the known population profile to counteract non-response bias.
- 5.4 A total of 1471 people responded to the questionnaire. The consultation results are provided as Appendix B.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 A decision on the final scheme to be implemented is required by a meeting of Full Council. That decision will be publicised through the local media with those residents directly affected by the changes notified in writing.
- 6.2 The revised CTR will take effect from 1st April 2017 and be reflected in the annual council tax bills to be sent in March 2017.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The council needs to balance the needs of low income households with the wider interest of local taxpayers to ensure that vulnerable residents are protected whilst providing a scheme that is affordable.	Stephen McGinnes, Director of Mid Kent Services

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Risk Management	No impact.	Stephen McGinnes, Director of Mid Kent Services
Financial	<p>CTR reduces the amount of Council Tax that can be collected. Since the council's Revenue Support Grant has continued to fall and will be fully withdrawn by 2017/18, the cost of the scheme will now met in full by the council and preceptors.</p> <p>The cost of the scheme (currently £8.8m) needs to be reduced to reflect the changes in funding.</p>	Mark Green, Director of Resources and Business Improvement (S151 Officer)
Staffing	No impact.	Stephen McGinnes, Director of Mid Kent Services
Legal	<p>The Local Government Finance Act 1992 provides a statutory duty to consult on a proposed scheme and Council to approve a scheme by 31 January 2017.</p> <p>Consideration must be given to the findings of the consultation and equality impact assessment in reaching a decision.</p>	Estelle Culligan, Interim Head of Legal Partnership
Equality Impact Needs Assessment	Decision-makers are reminded of the 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)	Anna Collier, Policy and Performance Manager

	<p>advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.</p> <p>The decisions recommended through this paper will directly impact on end users. The impact has been analysed and varies between groups of people. An equality impact assessment has found that:</p> <p>Current Scheme</p> <ul style="list-style-type: none"><input type="checkbox"/> All working age claimants have received a reduction in their benefit amount.<input type="checkbox"/> Pension age claimants, who will also have protected characteristics, have not received a reduction, as they are protected from any changes.<input type="checkbox"/> 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. <p>Proposed changes to the scheme from 2017:</p> <ul style="list-style-type: none"><input type="checkbox"/> The changes proposed will continue to maintain a range of additional allowances and income disregards for people with	
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	<p>disabilities and carers and apply a consistent percentage reduction to the benefit award for all people of working age.</p> <p><input type="checkbox"/> 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. <input type="checkbox"/> The introduction of an exceptional hardship scheme will be considered as an action to mitigate any possible impacts.</p> <p>A copy of the full equality impact assessment is provided as appendix C.</p>	
Environmental/Sustainable Development	No impact.	Stephen McGinnes, Director of Mid Kent Services
Community Safety	No impact.	Stephen McGinnes, Director of Mid Kent Services
Human Rights Act	No impact.	Stephen McGinnes, Director of Mid Kent Services
Procurement	No impact.	Stephen McGinnes, Director of Mid Kent Services
Asset Management	No impact.	Stephen McGinnes, Director of Mid Kent Services

8. REPORT APPENDICES

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

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- Appendix A: Summary of Changes
- Appendix B: Consultation Output
- Appendix C: Equality Impact Assessment
- Appendix D: CTRS Scheme 2017/2018 (Now attached as Appendix B to the report of the Policy and Resources Committee to Council)
- Appendix E: Proposed schemes by other Kent Districts

9. BACKGROUND PAPERS

None