

MAIDSTONE BOROUGH COUNCIL

CABINET

8 OCTOBER 2014

**REPORT OF HEAD OF REVENUES AND BENEFITS SHARED
SERVICE**

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1. LOCAL COUNCIL TAX DISCOUNT SCHEME

1.1 Issue for Consideration

1.1.1 To consider the Local Council Tax Support Scheme to be implemented from 1st April 2015.

1.2 Recommendation of Head of Revenues and Benefits

1.2.1 That Cabinet notes the recommendation of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee held on the 5th August 2014.

1.2.2 That having noted the potential impact on claimants including those with disabilities, carers and other working age groups; Cabinet recommends to Full Council that the scheme be maintained from 1st April 2015 at its current level, providing a 13% reduction in the former national council tax benefit scheme as set out within Appendix A.

1.2.3 That the Director of Regeneration and Communities, in consultation with the Cabinet Member for Corporate Services be given delegated authority to make such technical changes as are necessary to maintain the effective operation of the scheme, whilst maintaining the percentage reduction approved by council.

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 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 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%).
- 1.3.7 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 the first year of the scheme.
- 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 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.
- 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.
- 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.
- 1.3.10 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.
- 1.3.11 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.
- 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%. A total of 61 responses were received to the consultation, with 55% identifying option 2 as their preferred scheme.
- 1.3.13 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.
- 1.4 Strategic Leadership and Corporate Services Overview and Scrutiny Committee
- 1.4.1 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.
- 1.4.2 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 8th July 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.
- 1.4.3 A workshop was held on the 17th 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.

- 1.4.4 A copy of the workshop agenda and presentations given are attached as appendix C.
- 1.4.5 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.
- 1.4.6 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 (2nd adult rebate, backdating, capital)
 - Option 6 – increase council funding (protect disabled people and carers)
- 1.4.7 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.
- 1.4.8 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.
- 1.4.9 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.
- 1.4.10 The existing scheme (option 1) was considered to provide a reasonable balance in terms of cost to the council and impact on residents.
- 1.4.11 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 2nd adult rebate may prompt the owner to ask the 2nd 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.

1.4.12 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.

1.4.13 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 2nd 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.

1.5 Alternative Action and why not Recommended

1.5.1 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 (set out within 14.11) outweighed the potential benefit of the scheme.

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

1.6 Impact on Corporate Objectives

1.6.1 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.

1.6.2 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.

1.6.3 In maintaining the level of support the council will limit any increased financial burden for individuals and families on low incomes.

1.7 Risk Management

1.7.1 The level of future grant 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 may 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.

1.7.2 The council receives a fixed grant from the Department for Communities and Local Government to meet the cost of the council tax support scheme. Any future increase in demand will therefore place an additional financial burden on the Council.

1.8 Other Implications

1.8.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety

X
X

- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.8.2 Financial - The expected government grant for 2015/16 is £9,040,000 against an estimated cost (based on the proposed 13% reduction) of £9,322,000.

The £282,000 shortfall is expected to be met in full through changes introduced from April 2013 to the discounts and exemptions applicable to empty properties.

1.8.3 Legal - the Local Government Finance Act 1992 requires Full Council to approve a scheme by 31 January 2015.

1.8.4 Equality Impact Needs Assessment - An equality impact assessment has been undertaken which 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 continue to 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 B.

- 1.8.5 Human Rights Act – The proposed scheme has the potential to materially impact on individuals and families through the reduced support available in the form of 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.

1.9 Conclusions

- 1.9.1 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.

- 1.9.2 In maintaining the scheme as set out in appendix A at 13%, the council will continue to limit the impact on low income households, without adding further to the general level of council tax or reducing the services otherwise to be provided by the council.

1.10 Relevant Documents

1.10.1 Appendices

Appendix A – Local Council Tax Discount Scheme
Appendix B – Equality impact Assessment
Appendix C – Overview and Scrutiny Agenda and Presentation

1.10.2 Background Documents

None