

COUNCIL TAX REDUCTION SCHEME - UPDATE

Cabinet - 14 July 2016

Report of Chief Finance Officer

Status: For Decision

Key Decision: Yes

Executive Summary: This report updates Members on the Council Tax Reduction (CTR) Scheme taking into account the issues raised by Cabinet on 9 June 2016.

Portfolio Holder Cllr. Searles

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Recommendation to Cabinet:

- (a) Note the work undertaken to date and the Kent Finance Officers' group recommendation that any new Council Tax Reduction (CTR) scheme should be based on the current scheme but with a series of potential modifications upon which we should consult;
- (b) For the 2017/18 Council Tax Reduction (CTR) scheme, starting on 1st April 2017, launch a consultation on the potential introduction of a range of modifications to the current CTR scheme for working age claimants as follows:
- (i) Reduce the maximum level of CTR for working-age applicants from 81.5% of their Council Tax liability to 80%. (Option 1)
 - (ii) Remove the Family Premium for all new working age applicants. (Option 2)
 - (iii) Reduce the backdating provision from 6 months to 1 month. (Option 3)
 - (iv) Introduce a 'Minimum Income Floor' for self-employed claimants after their first year of trading. (Option 4)
 - (v) Reduce the period for which a person can be absent from Great Britain and still receive CTR from 13 weeks to 4 weeks. (Option 5)
 - (vi) Remove the Work Related Activity Component (WRAC) in the
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calculation of CTR for new claims from working-age claimants who are in receipt of Employment and Support Allowance. (Option 6)

- (vii) Limit the dependent child addition used in the calculation of CTR to a maximum of two children. (Option 7)
- (viii) Exclude foreign nationals with limited immigration status (Persons from Abroad) from receiving CTR. (Option 8)
- (ix) Introduce a scheme to help claimants suffering exceptional financial hardship. (Option 9)

(c) Through the consultation, seek views on other ways of meeting the demands highlighted through the report other than changing the existing CTR Scheme.

(d) Note the Equalities Impact Assessment (EQIA) at Appendix C and

(e) Endorse the proposed arrangements for the consultation.

Introduction and background

- 1 The CTR scheme 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 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;
 - Government funding to authorities was reduced by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous CTB scheme; and
 - Persons of Pension Age would be protected under regulations prescribed by Government.
- 3 Across Kent, a common 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 Sevenoaks District, working age claimants must pay at least 18.5% of the council tax liability. The figure of 18.5% represented the 10% funding loss applied to the working age caseload across Kent. In other parts of Kent, the % varies. Therefore, although we do have a 'common platform' across Kent, local schemes at district level have been tailored to local needs.

- 4 Since its introduction in April 2013, our own local scheme has been refreshed annually to allow for inflationary increases in the personal allowances used to calculate CTR, but the core elements remain as were originally agreed.
- 5 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'. In return, the major precepting authorities (Fire, Police and the County) agreed to collectively pay to each district council an 'administration fee' of £125,000 each year, for three years, to assist with the costs of delivering and managing the CTR scheme.
- 6 The original three year period ceased on 31 March 2016, but 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).
- 7 A review of the scheme has been carried out on behalf of all Kent districts, details of which were contained in the report to Cabinet on 9 June 2016.

Reasons to Change the Current Scheme

- 8 The review mentioned above looked at local schemes across the country to see how they have operated and what lessons could be learnt.
- 9 The objectives of the review of the scheme are to:
 - Accurately target support to those working age claimants who most need it.
 - Align the scheme with proposed changes to Housing Benefit and introduction of Universal Credit.
 - Address potential shortfalls in funding due to the continued reduction in Central Government grants.
 - Maintain a common approach to the design of local schemes across Kent.
- 10 The major precepting authorities have requested that additional council tax income is received through the CTR scheme for them to continue to pay each district council an 'administration fee', which is currently £125,000.
- 11 If this 'administration fee' is no longer received, services would have to be cut elsewhere for this council to continue to provide the current level of resources in the Revenues Team.
- 12 The £125,000 is currently used to employ staff to proactively engage with customers and recover the additional council tax due as a result of the reduced level of financial support provided by the scheme. If this resource was removed, it is likely that the council tax collection rate would reduce resulting in this council receiving less income via council tax. If less council tax is received, services across the council would have to be cut.

Options for Change to the Council Tax Reduction Scheme

- 13 In liaison with the consultant who reviewed the scheme, the Kent Finance Officers' Group has considered a wide range of options for potential change. These options were included in Appendix A of the report to Cabinet on 9 June 2016.
- 14 The most practical option would be to maintain a scheme similar to our current scheme because:
 - It is known to our claimants and largely mirrors the housing benefit (HB) system:
 - The Council's Revenues and Benefits system is adapted for this type of scheme and would, therefore, require little additional cost; and
 - Staff are familiar with the administration of this type of scheme and, as it is also aligned to HB, we can continue to take advantage of 'economies of scale'.
- 15 It is important that we seek to reduce the overall costs further whilst maintaining fairness and a sense of 'reality' as to what is feasible.
- 16 Due to the potential impact of changes on vulnerable residents, it is considered that it is important that an 'Exceptional Hardship' policy is integral to the new scheme. Whilst details of this policy still need to be drawn up, it is anticipated that applications would be accepted where claimants have qualified for CTR but are in need of further support due to severe financial hardship.
- 17 Recommendation made by the Finance Advisory Committee on 24 May 2016 and Cabinet on 9 June 2016 have been reflected in the proposed consultation options.
- 18 The council's HERO service has confirmed that they found the proposed consultation document understandable.

Other Alternatives to Changing the Current Scheme

- 19 As explained above, if changes are not made to the current scheme, savings would need to be made elsewhere if compensating funding could not be found.
- 20 Through our Financial Strategy, we already have planned over the 10-year budget period to use the Budget Stabilisation Reserve to ensure that the Council has a sustainable financial position going forward.
- 21 The 10-year budget already assumes that the Council will increase council tax by 2% each year from 2017/18 which is likely to be the maximum permitted without triggering a referendum. The Council could increase

council tax further, but the costs of holding a referendum would need to be factored in, and the public would need to support the proposed increase.

- 22 The Council's general fund reserve is already at the recommended level of 10% of the net revenue budget so it is not proposed to reduce it.
- 23 Members will appreciate, therefore, that realistic alternative options to changing the CTR Scheme are somewhat limited. However, in the light of challenges to local CTR scheme consultations elsewhere, the question about alternative funding arrangements does still need to be asked of the public.
- 24 Thus, whilst it is not the preferred solution, it is recommended that the following questions are posed for completeness. Were any of these options to be supported and implemented, the impact would affect all residents in the District.
- Should Council Tax be increased for all Council *Taxpayers (beyond that already planned in the 10-year budget)* to fund the CTR scheme?
 - Should Council reserves be used up to fund the scheme?
 - Should there be further cuts to Council services (over and above those already required in the 10-year budget) to fund the scheme?

Consultation Process

- 25 All of the Kent district councils have reported similarly to their Members to seek authority to proceed in the way outlined in this report.
- 26 Prior to the implementation of any change to CTR Scheme, authorities are required to consult with the public. There have been a number of legal challenges to CTR Scheme consultations and it should be noted that a recent judgement handed down by the Supreme Court has defined what is meant by 'good consultation'.
- 27 There are legal requirements in terms of the consultation process and the need to get Full Council approval by 31st January 2017 on the scheme to be adopted for 2017/18.
- 28 The guiding principles which have been established through case-law for fair consultation are as follows:
- The consultation must be carried out at a stage when proposals are still at a formative stage;
 - Sufficient information on the reasons for the proposals must be provided to permit the consultees to carry out intelligent consideration of the issues and to respond;

- Adequate time must be given for consideration and responses to be made; and
 - The results of the consultation must be properly taken into account in finalising any decision.
- 29 The consultant has been working with the districts in order to prepare robust and consistent consultation material that can be individually ‘branded’ by each district within Kent. Each district must consult on its own scheme and ultimately make its own decisions about the ‘final’ scheme following the consultation.
- 30 The draft consultation document is shown at Appendix B.
- 31 It is anticipated that the consultation will be primarily web-site based, but it will be important to write to all claimants to draw their attention to the consultation and encourage them to participate by providing hard copy documents as appropriate. Additionally, it will be important to involve stakeholder groups such as the Citizens Advice Bureau, local debt advice agencies, registered social landlords and other organisations with a significant interest, to obtain their views.
- 32 A video is also being produced to assist people completing the consultation.
- 33 There is also a duty to consult with the major preceding authorities (County Council, Fire and Police) who are statutory consultees. This has already commenced and will continue throughout the project. At the time of writing, all major precepting authorities have advised that they are content with the proposals so far.

Key Implications

Financial

The financial reasons for changing the scheme are contained in the report.

The cost of consultancy has been shared by all Kent authorities. Sevenoaks District Council’s share of this cost is under £500.

It is anticipated that there will be some direct costs associated with the consultation process which will be contained within the revenue budget.

The cost of awards made under CTR Scheme impact on the declared taxbase and thereby the council tax yield. If the cost of awards were to be reduced, this would mean that the Council’s taxbase could increase and overall council tax income could increase. Any increase to council tax income is shared through the Collection Fund with major preceptors.

Legal Implications and Risk Assessment Statement.

The Council has a statutory duty to consult on a proposed scheme; case-law has determined the guiding principles for fair consultation which we will follow.

Regard needs to be made to the rules around consultation laid out through the Supreme Court Ruling in the case of R (on the application of Moseley) v London Borough of Haringey (2014) and in particular, the need to set out alternative choices within the consultation.

If consultation is not carried out appropriately, there is a risk of challenge once a decision is taken.

Whilst all Kent Councils are working towards a common framework, ultimately individual schemes could be different (as they are currently).

Equality Assessment

At this stage of the process, the decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. However, an Equalities Impact Assessment (EQIA) is at Appendix C. Prior to a final decision being taken by the Cabinet, a full EQIA will be prepared.

Conclusions

As outlined within the report, Kent district councils are working together in order to achieve a common framework in respect of the review of the local CTR schemes.

Each district council needs to individually agree the terms for consultation. If any significant issues arise through the 'group approach', Cabinet will be updated.

Appendices

Appendix A - Background Information to the Consultation on the Council Tax Reduction Scheme for 2017/18.

Appendix B - Consultation on the Council Tax Reduction Scheme for 2017/18.

Appendix C - Equalities Impact Assessment

Background Paper:

[Council Tax Reduction Scheme - report to Cabinet 9 June 2016 and Finance Advisory Committee 24 May 2016](#)

[Cabinet 9 June 2016 - Minutes](#)

[Finance Advisory Committee 24 May 2016 - Minutes](#)

Adrian Rowbotham
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