

COUNCIL TAX REDUCTION SCHEME 2017/18

Council - 22 November 2016

Report of: Chief Finance Officer
Status: For Decision
Also considered by: Cabinet - 10 November 2016
Key Decision: No

Executive Summary: Through the Local Government Finance Act 2012 the Government abolished council tax benefit and placed a requirement on local authorities to have their own Council Tax Reduction Scheme (CTRS) from 1 April 2013.

Each financial year the Council must consider whether to confirm or revise its existing CTRS. This report sets out options for the CTRS scheme, the results of the resident consultation and the equality impact assessment. Members' are asked to consider the information set out and make recommendations for the CTRS to be adopted for 2017/18 to be implemented with effect from 1 April 2017.

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Recommendation to Cabinet: To consider and agree the following recommendations to Council

Recommendations to Council: That

- (a) the outcome of the public consultation and the consultation with Kent County Council as set out at Appendix A and Appendix B to this report are considered and noted.
 - (b) Members have due regard to their responsibilities under the Public Sector Equality Duty and considered the potential impacts of the proposed changes on working age claimants with the protected characteristics of disability, age and sex, as set out in the Equality Impact Assessment at Appendix D to this report.
 - (c) it is approved that the following amendments to the current CTRS are adopted and take effect from 1 April 2017:
 - i. The maximum level of support for working-age claimants be reduced from 81.5% to 80%;
 - ii. The Family Premium be removed for all new working-age claimants;
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- iii. The backdating provision be reduced from six months to one month;
 - iv. As a result of concerns raised through consultation, a minimum level of income be introduced for self-employed earners after two years of trading (rather than one year as initially proposed);
 - v. The period for which a person can be absent from Great Britain and still receive Council Tax Reduction is reduced from thirteen weeks to four weeks;
 - vi. Foreign nationals with limited immigration status (Persons from Abroad) are excluded from receiving Council Tax Reduction; and
 - vii. A scheme to help claimants suffering exceptional financial hardship is introduced.

(d) It is also approved, that subject to Government making the relevant amendments to the Housing Benefit regulations, the following amendments to the current CTRS are adopted and take effect from 1 April 2017:

- i. the Work Related Activity Component is removed from the calculation of Council Tax Reduction for new claims from working-age claimants who are in receipt of Employment and Support Allowance; and
- ii. the dependent child addition used in the calculation of Council Tax Reduction is limited to a maximum of two children.

(e) The Exceptional Hardship Policy as set out at Appendix C to this report is adopted.

Reason for recommendation: The decision on any amendments to the council's CTRS must be taken by Council. In order to comply with prescribed requirements, the decision of Council must be made by 31 January 2017 in order any amendments to take effect from 1 April 2017.

Introduction and Background

- 1 The CTRS replaced Council Tax Benefit (CTB) in 2013. Under the new scheme, the Council was able to devise its own CTRS but this had to be done using a reduced level of funding compared to the fully subsidised CTB scheme.
- 2 Pensioners remained protected under Government regulations, therefore, in order to ensure the Council had a scheme that could be delivered within the level off funding available the maximum level of support for working-age claimants was reduced by 18.5%. This meant that the maximum level of support that could be granted was 81.5% of their council tax liability.
- 3 Since the start of the scheme, the number of claimants has reduced. Although this has resulted in the costs of the CTRS being reduced, funding for the scheme was shown as a separate amount within the Local Government Finance Settlement for 2013/14 but this has not been the case since. Members' will be aware that this council is not expected to receive any Revenue Support Grant

from 2017/18. This has resulted in the cost burden of the scheme now falling on the Council and the major preceptors. The Council has therefore been reviewing the scheme to reduce the cost of it moving forward, whilst also having regard to its most vulnerable residents.

- 4 Members will recall that progress on the review of the CTRS was considered by Finance Advisory Committee on 24 May 2016 and that options for reducing the cost of the scheme from 1 April 2017 were approved for consultation by Cabinet on 14 July 2016.
- 5 The major preceptors currently pay an administration grant of £125,000 per annum to each of the districts to help towards the additional administrative resulting from the CTRS. Through the CTRS, Kent County Council bears the greatest impact on their council tax yield and they are therefore keen to see the districts amend their schemes and reduce the level of financial support awarded. As a result, the major preceptors are reviewing the funding agreement they have with the districts and, were the Council to decide not to amend its current scheme, the major preceptors could withdraw their administration contribution.
- 6 The recommended changes to the CTRS will result in the need to collect more council tax from individuals who may find it difficult to pay. This contribution is therefore essential as it helps support additional staff resources to collect the council tax from working-age claimants.
- 7 The review of the CTRS has been undertaken in liaison with all Kent Districts in order that there remains a 'common approach' across Kent. The objectives of the review have been:
 - to retain the principle of residents paying a contribution towards the Council's costs whilst having regard to its most vulnerable residents;
 - to target support to those most in need;
 - to align the scheme with national changes and forthcoming changes to Housing Benefit;
 - to have regard to the reductions in Government grant and to make the scheme less costly (if possible) and more efficient in terms of its operation.
- 8 The districts have worked with a consultant to come up with a number of proposed amendments to reduce the cost of the scheme whilst also trying to protect the most vulnerable. Consequently, at Cabinet on 14 July 2016, Members agreed to go out to consult on 9 options to adjust the existing scheme. They were:
 - Option1** - To reduce the maximum level of support for working-age claimants from 81.5% to 80%;
 - Option 2** - To remove the Family Premium for all new working-age claimants;

Option 3 - To reduce the backdating provision from six months to one month;

Option 4 - To introduce a minimum level of income for self-employed earners after one year of trading;

Option 5 - To reduce the period for which a person can be absent from Great Britain and still receive Council Tax Reduction from thirteen weeks to four weeks;

Option 6 - To remove the Work Related Activity Component in the calculation of Council Tax Reduction for new claims from working-age claimants who are in receipt of Employment and Support Allowance;

Option 7 - To limit the dependent child addition used in the calculation of Council Tax Reduction to a maximum of two children;

Option 8 - To exclude foreign nationals with limited immigration status (Persons from Abroad) from receiving Council Tax Reduction; and

Option 9 - To introduce a scheme to help claimants suffering exceptional hardship.

- 9 It was understood that a combination of some, or all, of these possible options might be required in order to achieve the objective of reducing overall costs. Members also agreed to consult on three alternative options to fund changing the scheme. They were increasing council tax for all taxpayers, find savings by reducing other council services or using Council reserves to help fund the scheme.

The Consultation

- 10 To effect changes to the CTRS, the Council has a legal duty to carry out public consultation and assess the impacts of the proposed changes with regard to equalities. The Council therefore went out to consultation over an eight week period, which ended on 11 September 2016.
- 11 An on-line questionnaire with the options agreed by Members was available on the Council's website over the eight week period. A letter was sent to all working-age claimants advising them of the web link and also giving them an option to request a hard copy of the questionnaire. Registered Social Landlords and third sector organisations were also advised of the consultation and encouraged to respond.
- 12 The complexity of the scheme, as well as the technical nature of the options presented, did not lend itself well to public consultation. However a video was produced and a background information pack was also prepared to ensure those responding to the consultation had an appropriate understanding of the proposals being made. 95% of respondents confirmed they had read the background information and 84% had seen the council's video.
- 13 The number of responses received was relatively low, albeit 91% were from residents in receipt of CTR. With only 139 online responses and 24 hard copy

responses, it is difficult to conclude that the responses provide a representative view from residents across the District.

14 The results of the consultation are shown at Appendix B. Members will note that:

- The majority of respondents, 66%, did not agree to the proposal of increasing council tax to help fund the scheme but 48% said that savings should come from reducing other services and 52% said the Council should use its reserves;
- 33% of respondents agreed with reducing the maximum entitlement to 80%, whilst 56% disagreed (Option 1);
- There was broad agreement to those options that would align the scheme to recently introduced changes and proposed changes to the housing benefit scheme. The only exception was Option 6 where only 22% of respondents agreed with this proposal (Options 2, 3, 5, 6, 7 and 8);
- 38% of respondents were in favour of using a set income level for self-employed claimants, whilst 30% were against (Option 4). However, the consultation response suggested that it may be appropriate to set the period to two years, rather than one, to allow the self-employed more time to develop and establish their business;
- 87% of respondents were overwhelmingly in favour that support be provided through an exceptional hardship fund (Option 9). Although this would not deliver a saving for the scheme, it would offer protection to the most vulnerable and target support to those most in need. This fund would be facilitated through the Collection Fund and would therefore not impact on the Council's General Fund.

15 There is also an obligation for the Council to consult with major precepting bodies. A response has been received from Kent County Council and this is shown at Appendix C. It should be noted that this response is a generic one to all the Kent districts and it reflects the following views:

- They supported the need to amend the schemes;
- Consideration should be given to reducing the maximum discount to below 80%;
- The scheme should synchronise with housing benefit rule changes;
- They supported a minimum income floor being introduced to self-employed assessments; and
- They supported the introduction of an exceptional hardship payment scheme.

Exceptional Hardship Scheme

- 16 There is a need for a fund to assist those claimants most at risk and considered the most vulnerable. Similar to the current Discretionary Housing Payment (DHP) fund within the Housing Benefit scheme, the Exceptional Hardship Scheme will allow limited ability to grant additional financial support to claimants' facing exceptional hardship, as defined within the Exceptional Hardship Policy at Appendix C
- 17 The prime objective of the fund is to:-
- a) Assist claimants to meet their Council Tax liability in full (bearing in mind that the CTRS is designed to provide support for the majority of the Council Tax liability, subject to income and circumstances).
 - b) Prevent exceptional hardship.
 - c) Reduce potential 'write-offs' of Council Tax.
- 18 It is proposed that the fund be built into the overall LCTR scheme but be limited to an agreed amount (similar in nature to the current DHP scheme for Housing Benefit). The level of funding has still to be agreed but, at the time of writing, discussions are progressing with the major preceptors regarding sharing the cost pro-rata based on current Council Tax levels.

Key Implications

Financial

- 19 As part of their review of the administration grant funding level, Kent County Council have now confirmed that they will not look to reduce the overall funding pot to districts providing the districts amend their schemes to reflect the housing benefit changes and uplift the minimum percentage level working-age claimants have to pay towards their council tax liability. As highlighted earlier, this funding is essential to support and maintain council tax collection associated to customers in receipt of CTR.
- 20 Whilst the overall funding pot will not be reduced, the funding will be apportioned in a slightly different way. There needs to be a greater recognition of the caseload each district is managing, rather than just splitting any grant funding on an equal basis. There will therefore be a fixed element plus a variable element based on caseload. The exact details of the funding model are still being progressed, but it is likely that Sevenoaks' funding will be reduced from £125,000 to around £106,000 as the Council's caseload is lower than in some of the other districts. The Revenues and Benefits shared service partnership with Dartford Borough Council will endeavour to maintain the existing staff levels despite this reduction in funding, however, were Members to decide not to agree to the options stipulated by Kent County Council as a condition of their funding, and the funding were to be reduced further or removed altogether, there would then have to be a corresponding reduction in

staff resource which would undoubtedly have a negative impact on council tax collection rates.

Legal Implications and Risk Assessment Statement

- 21 The CTRS is governed by the Local Government Finance Act 2012. This requires the Council to consider its CTRS annually and for Council to consider and take a decision before 31 January 2017 on any amendments to the scheme for 2017/18.
- 22 The Council has updated its section 13A Policy for 2017/18, with the recommended amendments, to comply with this requirement. In full, this policy is in excess of 150 pages so a full copy has also been placed in the Members Library.
- 23 The criteria detailed in section 1 of this report provide a summary of the new components being recommended for inclusion in the CTRS for 2017/18.

Equality Impact Assessment

- 24 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.
- 25 A full equality impact assessment covering the implications of amending the current scheme and introducing a revised scheme from 1 April 2017 is detailed in Appendix D. Taking into account current claimant data and consultation feedback, the equality impact assessment has identified there is potential for adverse impact on some claimants of working age with protected characteristics. Pension age claimants, who also have protected characteristics, will not be affected as they are protected from any changes by central Government.
- 26 Reducing the maximum level of support to 80% could mean working age claimants with disabilities could lose more per week than claimants without disabilities and carers could lose more per week than non-carers. The changes proposed will continue to treat people with disabilities and carers more favourably by maintaining a range of additional allowances and income disregards. Claimants with disabilities and carers, in exceptional hardship, will, subject to the decision of Members, also be able to apply for assistance with payments.
- 27 As there are a high proportion of female claimants overall, there is potential for a negative impact on female claimants of working age who may be affected by more than one option. The combined impact of reducing the maximum level of support to 80%, removing the family premium and limiting the number of dependent children to two, is likely to affect new female claimants in 2017.

Female and male claimants, in exceptional hardship, will, subject to the decision of Members, be able to apply for assistance with payments.

- 28 As the government has protected pensioners, the impact will fall on working age groups. This impact is as a result of national legislation, and is not within the council's discretion to mitigate. Within working age groups, although the impact on individual age groups may differ for each option, calculation of council tax reduction is not related to a person's age so it is difficult to mitigate any potential adverse impacts on the basis of age alone. Any differences in entitlement are likely to be as a result of other factors e.g. whether the claimant has a disability, is a carer or has children in the household. Options for reducing the impacts based on these factors have been considered.
- 29 Members should note that officers will continue to monitor the impact of the Council Tax Reduction Scheme on claimants with protected characteristics from 2017. Data will be assessed to indicate whether the impacts are in line with predictions or whether any further action may need to be taken to mitigate any impacts. Reports will be provided as appropriate.

Appendices

- Appendix A - Summary of consultation responses
- Appendix B - Kent County Council consultation response
- Appendix C - Exceptional Hardship Policy
- Appendix D - Equality Impact Assessment

Background Papers

Local Support for Council Tax scheme - Report to Council (27 November 2012)

<http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=121&MId=1464>

Local Support for Council Tax scheme 2014/15 - Report to Council (17 December 2013)

<http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=121&MId=1665>

Local Support for Council Tax scheme 2015/16 - Report to Council (4 November 2014)

<http://cds.sevenoaks.gov.uk/documents/s19897/07b%20Local%20Council%20Tax%20Support%20Scheme%202015-16.pdf>

Local Support for Council Tax scheme 2016/17 - Report to Council (3 November 2015)

<http://cds.sevenoaks.gov.uk/documents/s25847/08c%20Local%20Council%20Tax%20Support%20Scheme%202015-16.pdf>

Local Support for Council Tax Scheme rules

http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0019/212581/Council-Tax-Support-Local-Schemes-SDC-2016.pdf

Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/2012/17/contents>

Minutes of Finance Advisory Committee 24 May 2016

<http://cds.sevenoaks.gov.uk/documents/s28912/160524%20-%2024%20May%202016%20Minutes.pdf>

Minutes of Cabinet 14 July 2016

<http://cds.sevenoaks.gov.uk/documents/s28915/160714%20-%2014%20July%202016.pdf>

Supporting information accompanying consultation for 2017/18

<http://cds.sevenoaks.gov.uk/documents/s28189/09%20Council%20Tax%20Reduction%20Scheme%20-%20App%20B%20-%20Draft%20Consultation%20Document.pdf>

Section 13A Policy for 2017/18 (Council only)

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