

Cabinet 12 July 2017		Agenda Item: 6
Meeting Date	12 July 2017	
Report Title	Council Tax Support Scheme 2018/19 consultation	
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance and Performance	
SMT Lead	Emma Wiggins	
Head of Service	Amber Christou	
Lead Officer	Zoe Kent	
Recommendations	<ol style="list-style-type: none"> 1. To note the work undertaken thus far, the options appraisals set out in Appendix I, and recommendation that any new CTS scheme should be based on the current scheme but with a series of potential modifications upon which we consult. 2. To launch a consultation on the potential introduction of a range of modifications to the current CTS scheme for working age claimants. 3. Through the consultation to seek views on other ways of meeting the demands highlighted through the report other than changing the existing CTS scheme. 4. To note the first stage Community Impact Assessment, and that a full Community Impact Assessment will be prepared and considered prior to any final decisions being taken. 5. To give delegated authority to the Revenues and Benefits Manager – Technical & Financial to finalise the consultation material, in consultation with the Cabinet Member for Finance and Performance. 	

1 Purpose of Report and Executive Summary

- 1.1 The Council Tax Support Scheme (CTS) was introduced by the Department for Communities and Local Government (DCLG) in April 2013 as a replacement for Council Tax Benefit (CTB) administered on behalf of the Department for Work and Pensions (DWP). Each year the local Scheme must be approved by Full Council by 31 January.
- 1.2 The purpose of this report is to recommend changes to the scheme in readiness for public consultation, and to give delegated authority to the Revenues and Benefits Manager – Technical & Financial to finalise the consultation material in consultation with the Cabinet Member for Finance.

2 Background

- 2.1 Prior to the introduction of the scheme in April 2013 the Kent authorities worked together to design a CTS scheme. A common approach was adopted across Kent, with the new scheme broadly replicating the former CTB scheme, but with a basic reduction in entitlement for working age claimants.
- 2.2 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 was reduced initially by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous CTB scheme; and
 - persons of pension age, although allowed to apply for CTS, would be dealt with under regulations prescribed by central government, and not the authorities' local scheme.
- 2.3 In Swale, under the current scheme working age claimants must pay at least 20% of their Council Tax liability. Although there is a common approach across Kent, local schemes at district level have been tailored to local needs, so in other parts of Kent the percentage varies.
- 2.4 The Kent districts have been able to use the changes to the empty property discounts to vary the amount working age claimants pay towards their liability. Since its introduction in April 2013, our own local scheme has been reviewed annually; however; the core elements remain as were originally agreed.
- 2.5 Under the Kent-wide agreement the major precepting authorities 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 delivery of the scheme.
- 2.6 It has been recognised by the Kent Finance Officers Group that the contributions that the major precepting authorities make towards the administration of the scheme are essential. It was therefore agreed to base the allocation of the administration fee on the size of the caseload. Swale has been allocated £141,600 administration fee for 2017/18, the second highest award in Kent.
- 2.7 When the new scheme started in April 2013, it resulted in approximately 5,000 households within the Borough paying some council tax for the first time. In addition, approximately 2,500 other households who received partial assistance saw increases in their bills.
- 2.8 Collection of the council tax balances in these cases has been challenging. However, with focus on these accounts and some changes to recovery processes, the scheme has been successful. The administrative fee paid by the

major preceptors has been essential in assisting with the cost of the recovery of these debts.

- 2.9 The overall level of applicants, both working age and pension age, has fallen since the introduction of CTS to 9,948 as at 1 April 2017, compared with 13,381 as at 1 April 2013. This is mainly due to a reduction in unemployment, the rise of the pension age and changes brought into the scheme from April 2017. As a result, the total cost of the scheme has reduced since its inception.
- 2.10 However, the initial '90%' funding that the government passed on to authorities through Revenue Support Grant to support the costs of local schemes has effectively been cut as part of the wider reductions in local government financial settlements. Therefore, although costs have reduced due to a lower claimant base, the outcome is that a greater share of the cost burden is falling on the billing authorities and the other major precepting bodies. This outcome has been one of the main catalysts for undertaking the review.

Table 1: CTS expenditure by year

Year	Expenditure
2013/14	£10,712,895
2014/15	£ 9,940,783
2015/16	£ 9,801,120
2016/17	£ 9,723,402
2017/18	£ 9,002,798

- 2.11 To support the review a consultant who has previously advised all Kent districts on their CTS schemes has been appointed. The consultant has been assisting in the evaluation of alternative scheme models and will, in due course, assist with the public consultation process.
- 2.12 As in 2016/17 the objectives that have been agreed are to:
- (i) have regard to the reductions in government grant and the financial pressures we face;
 - (ii) make the scheme less costly (if possible), and more efficient in terms of its operation; and
 - (iii) have regard to the impact such changes may have on vulnerable residents, and target support to those most in need.

3 Proposal

- 3.1 Consideration has been given to a range of options for potential change, having regard to the objectives set out in paragraph 2.12 and the suitability for Swale. It is proposed that a consultation is carried out as per the options appraisal contained in Appendix I.

- 3.2 The conclusion is that the most practical option would be to maintain a scheme similar to our current scheme. The reasoning behind this is:
- (i) it is known to our claimants;
 - (ii) it largely mirrors the housing benefit system
 - (iii) our software systems are adapted for this type of scheme and would, therefore, require little additional cost to update;
 - (iv) our staff are familiar with the administration of this type of scheme; and
 - (v) as it is also aligned to housing benefit, we can continue to take advantage of economies of scale.
- 3.3 In order to meet the challenges of funding pressures, some adjustments to the current scheme will inevitably need to be made. Evidence from authorities across the country suggests there is a tipping point somewhere between 20% and 25% after which collection rates are affected significantly. The tipping point tends to affect claimants on low or fixed incomes, particularly single persons and couples with no dependants. Increasing the minimum percentage that a working age claimant needs to pay beyond the tipping is likely to be counter-productive.
- 3.4 Collection of Council Tax from working age claimants since the commencement of the scheme is shown in table 2 below. Prior to the first year of the scheme Swale accepted a grant from DCLG which limited the amount claimants had to pay to a minimum of 8.5%, leading to a highest collection rate for 2013/14. There was a dip in collection in 2014/15 when the amount to be paid doubled. Collection since then has risen as claimants have adjusted to budgeting for this amount. It is likely that if the amounts that working age claimants have to pay continues to rise, collection rates will start to fall.

Table 2: Percentage collected by year

Year	Minimum % paid by working age claimants	Percentage collected
2013/14	8.5%	87.59%
2014/15	15%	81.80%
2015/16	15%	85.30%
2016/17	15%	85.80%

- 3.5 Given the objectives of the review set out at 2.12, it is important that we seek to reduce the overall costs of the scheme whilst maintaining fairness and the feasibility of the scheme. Therefore, it is considered that a locally determined selection of the options set out in Appendix I should be included as part of the consultation on Swale's scheme for 2018/19.

4 Alternative Options

- 4.1 The current scheme which was brought in on 1 April 2017 could be left in place with no amendments from 1 April 2018. There is a risk in taking this option that there would be a cost to both Swale and the major preceptors. It is likely that the grants received from DCLG will reduce for 2018/19 so any increase in the cost of the scheme would be borne by Swale and the major preceptors. This would then have a knock on affect to other services.

5 Consultation Undertaken or Proposed

- 5.1 Prior to the implementation of any changes to a CTS scheme, authorities are required to consult with the public. There have been a number of challenges to CTS consultations, and it should be noted that a recent judgement handed down by the Supreme Court has defined what is meant by 'good consultation'.
- 5.2 The guiding principles which have been established through case law for fair consultation are as follows:
- (i) the consultation must be carried out at a stage when proposals are still at a formative stage;
 - (ii) sufficient information on the reasons for the decision must be provided to permit the consultees to carry out intelligent consideration of the issues to respond;
 - (iii) adequate time must be given for consideration and responses to be made; and
 - (iv) the results of the consultation must be properly taken into account in finalising any decision.
- 5.3 There is also a duty to consult with the major precepting authorities who are statutory consultees. All major precepting authorities will be consulted during the consultation period.
- 5.4 The options proposed in this report have been examined with the Leader and relevant Cabinet Members.
- 5.5 This report will also be offered to the Policy Development Review Committee for their review.

6 Implications

Issue	Implications
Corporate Plan	<p>Running an effective and efficient CTS Scheme contributes to the Council priority of being 'A Council to be proud of'. It also contributes to the priority of 'A Community to be proud of', as it supports the most vulnerable whilst creating incentives to work for those who are able to.</p> <p>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. Data shows that the number of working age claimants has reduced, which results at least in part from movement of benefits claimants into work.</p> <p>Performance is measured through BV9 Percentage of Council Tax collected in year.</p>
Financial, Resource and Property	<p>It is anticipated that there will be some limited costs associated with the consultation process, but this is a statutory requirement.</p> <p>The costs of awards made under the CTS scheme impact on the declared tax base, and thereby the council tax yield. If the cost of awards were to be reduced, this would mean that the Council's tax base would increase, and overall council tax income could increase.</p> <p>Any increase to council tax income is shared through the Collection Fund with major preceptors.</p>
Legal and Statutory	<p>The Council has a statutory duty to consult on a proposed scheme. As mention in paragraph 5.1, case law has determined the guiding principles for fair consultation, which we will follow.</p> <p>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 Moselely) v London Borough of Haringey (2014), and in particular, the need to set out alternative choices within the consultation. Referred to in paragraph 5.2.</p>
Crime and Disorder	No implications.
Sustainability	No implications.
Health and Wellbeing	Residents who have difficulty in paying their Council Tax can put in a claim for a Section 13A discretionary award. Those whose health appears to be affected will be signposted to appropriate advice.
Risk Management and Health and	If consultation is not carried out appropriately, there is a risk of challenge once a decision is taken.

Safety	
Equality and Diversity	A first stage Community Impact Assessment is being carried out prior to the consultation. Once the consultation results have been analysed, a full Community Impact Assessment will be carried out.

7 Appendices

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

- Appendix I: CTS Scheme review of options
- Appendix II: First stage CIA CTS Scheme 2018/19

8 Background Documents

Council Tax Support Report 2017/18 Scheme Full Council 23.11.2016

<http://services.swale.gov.uk/meetings/documents/s6520/Council%20-%20Council%20Tax%20Support%20Report%2023.11.2016%20FINAL.pdf>