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| Cabinet | Agenda Item: 5 |
| Meeting Date | 25 September 2019 |
| Report Title | Council Tax Support Scheme 2020/21 consultation |
| Cabinet Member | Cllr Roger Truelove, Leader and Cabinet Member for Finance |
| SMT Lead | Nick Vickers, Chief Financial Officer |
| Head of Service | Nick Vickers, Chief Financial Officer |
| Lead Officer | Zoe Kent, Revenues and Benefits Manager |
| 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 Council Tax Support 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 as set out in paragraph 3.3. 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 and Chief Financial Officer to finalise the consultation material, in consultation with the Leader and Cabinet Member for Finance. |

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 11 March.
- 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 Chief Financial Officer and the Revenues and Benefits Manager to finalise the consultation material in consultation with the Leader and 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:
 - 1) The duty to create a local scheme for working age applicants was placed with billing authorities,
 - 2) 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
 - 3) 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 25% of their Council Tax liability. Although there is a common approach across Kent, local schemes at district level have been tailored to local needs, this percentage varies among Kent authorities.
- 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 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 2019/20, 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 many of 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 9,812 as at 1 April 2019, 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. In the current financial year the Council will receive RSG of £113,000 compared with £5.5m in 2013/14 and will be nil in the future 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 a Kent wide review being undertaken.

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 |
| 2018/19 | £ 8,854,129 |
| 2019/20 | £ 8,741,419* |

*As at 1 August 2019

- 2.11 It was agreed by the Kent Finance Officer's Group to appoint a consultant to carry out the review. The consultant has been assisting in the evaluation of alternative scheme models and will, in due course, assist with the public consultation process. The review has been considering whether Kent authorities should move to a banded scheme where claimants are placed into an income band based on their family size and the level of their income.
- 2.12 As in 2016/17 when the last Kent wide review was carried out, the objectives that have been agreed are to:
- 1) Have regard to the reductions in government grant and the financial pressures we face,
 - 2) Make the scheme less costly (if possible), and more efficient in terms of its operation; and
 - 3) 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 moving to a banded scheme however as working age Universal Credit claims are only reviewed three times a year (unless there is a significant change) it is felt that a better option would be to simplify the current scheme. As claimants are paying a minimum of 25% which is higher than a number of districts across Kent it is not felt the scheme should make further savings in 2020/21.
- 3.2 The most practical option would be to maintain a scheme similar to our current scheme. The reasoning behind this is:
- 1) It is known to our claimants;
 - 2) It largely mirrors the housing benefit system;
 - 3) Our software systems are adapted for this type of scheme and would, therefore, require little additional cost to update;
 - 4) Our staff are familiar with the administration of this type of scheme; and
 - 5) As it is also aligned to housing benefit, we can continue to take advantage of economies of scale.
- 3.3 It is proposed that the following changes are consulted on for the 2020/21 scheme:
- 1) To reduce the minimum payment from 25% to 20%,
 - 2) To reduce the standard level of non dependant deduction from £15 to £10 for all claimants who have a non dependant living with them who works more than 16 hours per week,
 - 3) To disregard Child Maintenance paid to a claimant or partner in the calculation of Council Tax Support,
 - 4) To disregard Child Benefit paid to a claimant or partner in the calculation of Council Tax Support,
 - 5) To apply a fixed income period to all working age claims where the claimant or partner are either working or in receipt of Universal Credit, and
 - 6) To apply a tolerance to Universal Credit claims so information received from the DWP can be automated
- 3.4 Given the objectives of the review set out at 2.12, it is important that we seek to not increase the overall costs of the scheme significantly whilst maintaining fairness and the feasibility of the scheme. Therefore, it is considered that a

locally determined selection of the options set out in 3.3 should be included as part of the consultation on Swale's scheme for 2020/21.

4 Alternative Options

- 4.1 As part of the consultation, as well as consulting on various options related to the design of the scheme, case law has clarified that we are also required to consider alternative funding options as opposed to simply changing the current scheme to reduce costs.
- 4.2 It is therefore recommended that the following questions be posed.
- 1) Should Council Tax be increased for all Council Tax payers to fund the CTS scheme, subject to the referendum limit?
 - 2) Should Council reserves be used to fund the scheme?
 - 3) Should there be cuts to Council services to fund the scheme?
- 4.3 Were any of these options to be implemented, the impact would affect all residents in the Borough.

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:
- 1) The consultation must be carried out at a stage when proposals are still at a formative stage,
 - 2) 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,
 - 3) Adequate time must be given for consideration and responses to be made, and
 - 4) 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 This report will also be offered to the Policy Development Review Committee for their review.

6 Implications

| Issue | Implications |
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| 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 | <p>If any CTS scheme that is brought in increases the amount of Council Tax working age claimants have to pay significantly it could mean that some claimants are driven to carry out crimes to pay their Council Tax.</p> <p>Since the implementation of the first scheme in 2013/14 there has</p> |

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| | been no evidence linking the scheme to crimes being carried out in Swale. There has also been no links to disorder in the area. |
| Sustainability | The CTS scheme is reviewed on an annual basis across the Kent districts and with the major preceptors. All authorities have worked to ensure the schemes are sustainable across future years, with funding provided by the major preceptors towards the collection of Council Tax. |
| 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. The Revenues and Benefits team works with other sections of the authority, CAB, financial charities and the major housing providers in the area to ensure those residents who are struggling with debt or other problems are signed posted to the correct advice and agencies. |
| Risk Management and Health and Safety | If consultation is not carried out appropriately, there is a risk of challenge once a decision is taken. |
| 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:

- 1) Appendix I: First stage CIA CTS Scheme 2020/21

8 Background Documents

Council Tax Support Report 2019/20 Scheme Full Council 14.11.2018

<https://services.swale.gov.uk/meetings/documents/s11157/Council%20Meeting%20Council%20Tax%20Support%20Report%2014.11.18.pdf>