

<b>Full Council</b>	<b>Agenda Item:</b>
<b>Meeting Date</b>	16 December 2015
<b>Report Title</b>	Council Tax Support Scheme 2016/17
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
<b>SMT Lead</b>	Kathryn Carr/Mark Radford
<b>Head of Service</b>	Amber Christou/Nick Vickers
<b>Lead Officer</b>	Zoe Kent/Nick Vickers
<b>Recommendations</b>	1. That the Council Tax Support scheme for 2016/17 is kept the same as 2015/16, and Council Tax Support continues to be reduced by 15%

## **1 Purpose of Report and Executive Summary**

- 1.1 The purpose of this report is to consider the percentage reduction from Council Tax Support that should be set for 2016/17, based upon an analysis of the current Council Tax Support Scheme's effects on collection and benefit claimants, and the financial position of the Council.

## **2 Background**

- 2.1 The localisation of Council Tax Support (CTS) has been in place since 1 April 2013. Prior to its implementation, a Kent-wide CTS scheme was agreed for a period of three years whereby all districts agreed to reduce CTS by 18.5%, although this amount could be reduced to a lower percentage if the district took measures to reduce its empty property discounts.
- 2.2 By reducing the short term empty property discount from six to three months, and removing the long term empty property and second home discounts, Swale Borough Council was able to reduce CTS by only 15% rather than 18.5%.
- 2.3 In addition, for 2013/14 the Council was able to reduce CTS by only 8.5% due to a transitional grant that was awarded by DCLG. However, in 2014/15 the grant was withdrawn so the reduction from CTS was increased back up to 15%.
- 2.4 In 2015/16 the short term empty property discount was reduced further from three months to one month only, and a 50% premium was charged for properties that have been empty for more than two years.
- 2.5 Analysis shows that all Kent districts have reduced the amount of CTS awarded based on the amendments they have made to their Council Tax discount schemes, and any subsidy they have decided to make towards their scheme. This is set out in Table 1 overleaf.

**Table 1: Kent district authorities CTS reduction percentages**

<b>Council</b>	<b>2013/14 Reduction %</b>	<b>2014/15 and 2015/16 Reduction %</b>
Tonbridge & Malling	8.5	18.5
Tunbridge Wells	8.5	18.5
Maidstone	8.5	13.0
Sevenoaks	8.5	18.5
Dartford	8.5	18.5
Gravesham	8.5	18.5
Swale	8.5	15.0
Ashford	8.5	10.0
Shepway	8.5	18.5
Canterbury	5.0	5.0
Dover	6.0	6.0
Thanet	5.5	5.5

### **Number of claimants**

2.6 There has also been a fall in the number of claimants over the past 12 months. The number of pensioners claiming has also decreased as the pensionable age has continued to increase. Table 2 below shows the current caseload for CTS claimants.

**Table 2: CTS Caseload as at 1 October 2015**

<b>Category of claimant</b>	<b>Number</b>
Working Age	7,105
Pension Age	5,039
<b>Total</b>	<b>12,144</b>

### **Expenditure on the Scheme**

2.7 Expenditure on CTS has also fallen as a result of the drop in claimants. The total net expenditure figure as at 1 October 2015 was £9,705,260, compared with £9,985,740 as at 1 October 2014, a reduction of £280k or 2.8% - see Table 3 below.

**Table 3: CTS expenditure as at 1 October 2015**

<b>Category of claimant</b>	<b>Spend</b>	<b>Percentage</b>
Working Age	£5,300,235	55%
Pension Age	£4,405,025	45%
<b>Total</b>	<b>£9,705,260</b>	

- 2.8 When CTS is awarded on 1 April for the financial year it is presumed that claimants will receive the amount due on 1 April for the whole of the year. But as claimants move or otherwise have changes to their circumstances their CTS is either increased or reduced. As Council Tax is a relatively low cost per week (on average £20 per week), when claimants start work they are often taken out of entitlement to CTS entirely, or their entitlement drops to very little.
- 2.9 Whilst it is difficult to predict the final expenditure for the year, the amount of CTS awarded has continued to fall throughout the year and unless there was a sudden rise in claims (for example if a large employer was to fold or move out of the area) it is likely that the expenditure at the end of the year will be less than predicted at the beginning.
- 2.10 Table 4 shows the cost of the CTS scheme to the Borough and the major preceptors in 2014/15, and the predicted expenditure for 2015/16.

**Table 4: 2014/15 and 2015/16 Expenditure**

	<b>2014/15 Expenditure</b>	<b>2015/16 Predicted Expenditure</b>
Full Cost (without reduction)	£11,735,000	£11,572,000
Cost with 15% reduction	£9,940,783	£9,700,000

### **Collection rates**

- 2.11 Prior to the start of the scheme it was very difficult to predict how much council tax would be collected from benefit claimants under the new scheme, as many would be drawn into paying council tax for the first time. The Council, along with most other billing authorities, took a cautious view and predicted a collection rate of 50%. However, the collection rate reached a much higher 77.2%, probably because CTS was only reduced by 8.5% during 2013/14, so giving claimants a more manageable amount to pay during the first year of the scheme.
- 2.12 However in 2014/15 when CTS was reduced by 15%, the collection rate unexpectedly improved to 81.6%. Our view is that this is the outcome of most claimants now understanding that they are liable to make payments towards their Council Tax, and they have learned to budget accordingly.

### **Funding of the CTS Scheme**

- 2.13 Funding to meet the costs of Council Tax Support is received by the Council through the Revenue Support Grant (RSG). However, the amount of funding received through this mechanism is not made explicit, so we no longer know for certain how much funding we receive to fund CTS. Revenue Support Grant reductions are the mechanism that DCLG use to reduce local authority funding, and between 2014/15 and 2015/16 the Council's RSG reduced by 32%, so our assumption is that funding for the CTS scheme has been reduced at the same rate as the RSG.
- 2.14 We are currently budgeting on the basis of a 30% reduction in the RSG each year over the next three years, and so our assumption will be that funding for the CTS Scheme will be reducing at the same rate. As a result, funding CTS becomes another pressure which the Council has to fund.
- 2.15 Through the Kent Finance Officers Group discussions have taken place between the billing authorities and the preceptors, who receive the large majority of Council Tax collected. The preceptors are offering to continue the £125,000 payment to each billing authority to assist with the management of the CTS Scheme.
- 2.16 Whilst in our view a flat rate payment for all districts is not equitable, as authorities such as Swale have a much higher caseload than most others, and therefore a higher financial exposure, the continuation of the payment is welcome.
- 2.17 In March 2015 single unemployed claimants within the Borough started to claim Universal Credit. As the roll out of Universal Credit increases, and given that the Kent scheme will have been in place for four years, it has been agreed that there will be a fundamental review of the Kent scheme in time for the 2017/18 CTS scheme to be implemented. This will look to redesign the CTS scheme in light of the wider financial impact of the welfare reform changes to ensure that the financial pressure upon the Council is manageable and that the scheme is designed to encourage people to work.

### **3 Proposal**

- 3.1 It is proposed that the Council Tax Support scheme should be maintained as the current scheme reducing Council Tax Support by 15%. Claimants are now used to paying 15% towards their Council Tax, although we do have to work with a proportion of the claimants to ensure that they continue to make payments throughout the year. The collection rate as at 1 October 2015 (50.6%) shows that we should be on track to collect a similar percentage to 2014/15.
- 3.2 The Council's overall financial position should enable us to manage the budget pressures of keeping the proportion to be paid at 15% for another year, whilst the fundamental review mentioned in paragraph 2.17 is carried out. Options for

future years, based upon the outcomes of that review, will be brought forward in due course.

## 4 Alternative Options

- 4.1 The contributions benefit claimants are required to make towards their Council Tax could be reduced. This is not recommended as it may impact upon payment rates, and also upon incentives for work. Alternatively, the amount that CTS claimants are charged could be reduced so that the benefit claimants do not have to pay so much towards their Council Tax. Whilst lower charges to benefit claimants should lead to lower recovery costs, the disadvantage would be less revenue for the Council and the major preceptors, and confusion for claimants if we had to increase the amount payable again from 2017/18 when the Kent-wide agreement ends.

## 5 Consultation Undertaken or Proposed

- 5.1 Consultation has been carried out between the Kent districts and the major preceptors.
- 5.2 As it is recommended that there will be no change to the scheme a public consultation is not required.
- 5.3 The views of Scrutiny Committee have also been sought.

## 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. 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. The amount 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. If the reduction from CTS is kept the same as 2015/16 it is estimated that there will not be a drop in the collection rate because claimants are already aware of the amount they must pay.</p>
Financial, Resource and	Post the November Comprehensive Spending Review and the December 2016/17 Grant Settlement announcement we will be in a

Property	<p>better position to assess the size of expenditure reductions the Council is required to make in future years.</p> <p>The review of the CTS scheme across the whole County will fit in well with this, and allow the financial implications to be incorporated in the Medium Term Financial Plan from 2017/18 onwards.</p>
Legal and Statutory	The Local Government Finance Act 2012 provides the statutory basis for the scheme.
Crime and Disorder	It is unlikely that there has been any increase in crime or disorder from the 2015/16 scheme. Therefore we would not consider there to be any increase in risk for 2016/17.
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 Safety	The main risk to the Borough is a drop in the Council Tax collection rate due to non-payment. Collection rates are actively managed in order to mitigate this risk.
Equality and Diversity	As the proposal is for no change to the scheme, there are no equality and diversity implications beyond those covered in the CIA that was carried out for the 2015/16 scheme.

## **7 Appendices**

7.1 None.

## **8 Background Papers**

8.1 [Council Tax Support Scheme decision 2015/16.](#)