

<b>Cabinet 25 May 2016</b>		<b>Agenda Item: 5</b>
<b>Meeting Date</b>	3 May 2016	
<b>Report Title</b>	Council Tax Support Scheme 2017/18 consultation	
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance	
<b>SMT Lead</b>	Kathryn Carr/Nick Vickers	
<b>Head of Service</b>	Amber Christou	
<b>Lead Officer</b>	Zoe Kent/Nick Vickers	
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the work undertaken thus far within Kent collectively, 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.</li> <li>2. To launch a consultation on the potential introduction of a range of modifications to the current CTS scheme for working age claimants.</li> <li>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.</li> <li>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.</li> <li>5. To give delegated authority to the Head of Finance and the Revenues and Benefits Manager – Technical &amp; Financial to finalise the consultation material, in consultation with the Cabinet Member for Finance.</li> </ol>	

## **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 Head of Finance and 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 15% of their Council Tax liability. The figure of 15% represented the 10% funding loss applied to the working age caseload across Kent. 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 delivering and managing the scheme. The original three year period ceased on 31 March 2016. As a result of Kent Finance Officers Group discussions, it was agreed to continue the £125,000 administration fee for a further 12 months i.e. into 2016/17 to enable a new scheme to be developed using an evidence-based approach.
- 2.6 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.
- 2.7 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.

2.8 The overall level of applicants, both working age and pension age, has fallen since the introduction of CTS to 11,921 as at 31 March 2016, compared with 13,381 as at 1 April 2013. This is mainly due to a reduction in unemployment and the rise of the pension age. As a result, the total cost of the scheme has reduced since its inception.

2.9 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

<b>Year</b>	<b>Expenditure</b>
2013/14	£10,712,895
2014/15	£ 9,940,783
2015/16	£ 9,801,120
2016/17	£ 9,723,402

2.10 A group of finance and revenue officers from the Kent districts and major precepting authorities have been working closely together in setting the objectives of the review, and maintaining a common approach to the redesign of the local schemes. To support the review a consultant has been appointed by Ashford BC on behalf of the Kent districts and major preceptors, with the costs being shared. The consultant has been assisting in the evaluation of alternative scheme models and will, in due course, assist with the public consultation process.

2.11 The objectives that have been collectively 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.

2.12 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. Changes to the local scheme could potentially lead to a need to collect even more council tax from individuals who may find it difficult to pay, as well as those individuals finding the resultant changes difficult to comprehend.

2.13 Therefore, in parallel with the review of the local schemes, representatives from the Kent district councils are working with the major preceptors to formulate a new funding model for assistance towards the administrative costs. It is anticipated that this will be based on the size of the caseload rather than a fixed rate for each district. It is also likely that any payment may be topped up by a share of any additional proceeds as a result of our tax base increasing.

### **3 Proposal**

3.1 In liaison with the consultant, the Kent Finance Officers' group has considered a wide range of options for potential change, having regard to the objectives set out in paragraph 2.11 and the suitability for Kent. The options have been examined in detail with the Leader and relevant Cabinet Members. It is proposed that a consultation is carried out as per the options appraisal contained in Appendix I.

3.2 The conclusion from the Group 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. Initially, the major precepting authorities had suggested that we seek to reduce the cost of the scheme through the increase in minimum contribution rate (currently 15% for working age claimants in Swale). 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 Given the objectives of the review set out at 2.11, 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 2017/18.

## **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.
- (i) Should Council Tax be increased for all Council Tax payers to fund the CTS scheme?
  - (ii) Should Council reserves be used to fund the scheme?
  - (iii) 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:
- (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 The Kent Finance and Revenues officers are currently working closely with the consultant to prepare robust and consistent consultation material that can be individually branded by each district council within Kent. Each district council must consult on its own scheme design, and ultimately make its own decisions about its final local scheme after the consultation.

- 5.4 It is planned that all district councils will go out to consultation at around the same time. The project timetable agreed by all Kent district councils at the start of the review anticipates consultation commencing in early June, and completing at the end of August, thus allowing 12 weeks for members of the public and other relevant stakeholders to comment.
- 5.5 There is also a duty to consult with the major precepting authorities who are statutory consultees. At the time of writing, all major precepting authorities have advised they are content with the proposals so far.
- 5.6 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>The cost of consultancy has been shared by all Kent authorities. Swale's share of the cost is under £500. 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>

	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. Referred to in paragraph 5.2.
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 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:
- Appendix I: CTS Scheme review of options
  - Appendix II: First stage CIA CTS Scheme 2017/18

## 8 Background Documents

Council Tax Support Report 2016/17 Scheme Full Council 26.11.2015

<http://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MID=1288>