

Policy Development Review Committee Meeting	Agenda Item: 5
Meeting Date	26 October 2016
Report Title	Council Tax Support Scheme 2017/18 consultation
Cabinet Member	Clr Duncan Dewar-Whalley, Cabinet Member for Finance and Performance
SMT Lead	Emma Wiggins/Nick Vickers
Head of Service	Amber Christou
Lead Officer	Zoe Kent/Nick Vickers
Recommendations	<ol style="list-style-type: none"> 1. To note the outcome of the public consultation having taken consideration of the potential impact of the proposed changes on working age claimants with the protected characteristics of disability, age and sex under the Equalities Act 2010. 2. To recommend changes to the current scheme as listed in paragraph 3.6. 3. To agree the new funding model from the major preceptors for the collection of Council Tax from Council Tax Support claimants during 2017/18.

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, having noted the outcome of the public consultation and having considered the potential impact of the proposed changes on working age claimants taking into account the protected characteristics of disability, age and sex, under the Equalities Act 2010, to recommend changes to the current CTS scheme listed in paragraph 3.6.

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 authority's 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. to cover 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 largely 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

Year	Expenditure
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 was 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 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 have worked with the major preceptors to formulate a new funding model for assistance towards the administrative costs. This will be based on a fixed rate for each district of £70,000, plus an additional amount based on the size of the caseload. For Swale this is projected to be £71,600, making an overall contribution of £141,600.

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.
- 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 point is likely to be counter-productive in terms of amounts actually collected, as well as hardship for some households.
- 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. A locally determined selection of options based on these principles, as set out in paragraph 3.6, were included as part of the consultation on Swale's scheme for 2017/18.
- 3.5 The Council went out to consultation on these options for a 12 week period ending on 28 August 2016 via a direct email to approximately 10,000 households. The results of the consultation are contained in Appendix I.
- 3.6 Given the financial challenge facing the Council, it is recommended that the Council implements the changes set out within the consultation, subject to the amendments set out in Table 2.

Table 2: Council Tax Support Options

Option	Recommendation	
Option 1 - Reducing the maximum level of support for working age applicants from 85 per cent to 81.5 or 80 per cent	Implement	Consultation findings support change
Option 2* - Removing the Family Premium for all new working age applicants	Implement	Consultation findings support change. Change brings CTS in line with wider welfare system.
Option 3* - Reducing backdating to one month	Implement	Consultation findings support change. Scope to address vulnerability through the hardship scheme.
Option 4 - Using a set income for self-employed earners after one year's self-employment.	Implement with amendment	Period extended to 18 months in response to consultation feedback.
Option 5* - Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Reduction to four weeks	Implement	Consultation findings support change. Scope to address vulnerability through the hardship scheme
Option 6 - To introduce a standard level of non dependant deduction of £15 for all claimants who have non-dependants resident with them.	Implement with amendment	Deduction to be set at £15 for those non dependants in remunerative work (working more than 16 hours per week), in response to consultation feedback.
Option 7 - To take any Child Maintenance paid to a claimant or partner into account in full in the calculation of Council Tax Reduction.	Implement	Consultation findings support change. Inclusion of maintenance income within calculation provides a level of support based on ability to pay.
Option 8 - To take any Child Benefit paid to a claimant or partner into account in full in the calculation of Council Tax Reduction.	Implement	Consultation findings support change.
Option 9 - To remove Second	Implement	Second adult rebate does not consider means of main

Adult Reduction from the scheme		householder. Support still available for low income households through main CTS scheme.
Option 10* - To remove the Work Related Activity component in the calculation of Council Tax Reduction	Implement	Consultation findings support change. Change brings CTRS in line with wider welfare system.
Option 11* - To limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two	Implement	Consultation findings support change. Change brings CTRS in line with wider welfare system.

* to match Housing Benefit Regulations

3.7 Many of the changes to the scheme are intended to align Council Tax Support with the administration of Housing Benefit in order to reduce administration costs. At the present time the following changes have yet to be made within Housing Benefit regulations but are expected before 1 April 2017:

- the limitation of dependents additions to two dependents where a third or subsequent child is born on or after 1 April 2017 (HB and Child tax Credits are due to change from April 2017); and
- the removal of the Work Related Activity Component for all new Employment and Support Allowance applicants on or after 1 April 2017.

3.8 It is advised that in the unlikely event that these changes are not effected by Central Government by 1 April 2017, that the Council's CTS scheme will not be amended for 2017 but will be amended from 2018.

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 Therefore, within the consultation the following questions were 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 All options in 4.2 were rejected by the majority of responders - see Appendix I for the detail. As the Council's funding from the Government for the provision of all services is likely to be reduced in the future, and as the impact of choosing any of

the alternative funding options would affect all residents in the Borough, it is not considered that any of the options in 4.2 should be taken forward for funding the CTS scheme.

- 4.4 The Council could make no changes to the CTS Scheme. However, given the positive response to the consultation exercise, and as the Council's funding will continue to reduce, this is also not considered to be a viable option.

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 worked closely with the consultant to prepare robust and consistent consultation material that was individually branded by each district council within Kent. Each district council has consulted on its own scheme design, and ultimately will make its own decisions about its final local scheme after the consultation.

- 5.4 Following the report to Cabinet on 25 May 2016 a public consultation was undertaken between 6 June 2016 and 28 August 2016. The consultation was open to all Swale residents aged 18 or over, i.e. people who pay Council Tax or receive CTS. The consultation was carried out online, with a direct email to approximately 10,000 households, and was promoted on the Council's website, through social media, and in the local media. Paper copies were available on request.

- 5.5 A total of 290 people responded to the questionnaire. The consultation results are set out in full in Appendix I.

- 5.6 There is also a duty to consult with the major precepting authorities who are statutory consultees. All major precepting authorities have advised they are content with the proposals so far.

5.7 This report has been 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 followed.</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. This is referred to in paragraph 5.2 of the report.</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 hardship award. Those whose health appears to be affected will be signposted to appropriate advice.
Risk Management and Health and Safety	The risk to households has been covered in the Community Impact Assessment (see Appendix II). To mitigate the risk to the Council, advice was obtained from a consultant, and a full consultation was carried out on the proposed scheme.
Equality and Diversity	Following the consultation a full Community Impact Assessment has been carried out. The CIA is available at Appendix II, and the related Equality Impact Data is set out in Appendix III. The following issues came out of the consultation and the Community Impact Assessment: <ul style="list-style-type: none"> ▪ claimants with children will have less income for their living expenses and for caring for their children if they have to pay more towards their Council Tax; and ▪ disabled claimants who may be unable to work due to their disability may be affected by an increase in the amount of Council Tax they have to pay. To mitigate these issues the Council provides a Section 13A discretionary hardship scheme.

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 the consultation
- Appendix II: Full CIA CTS Scheme 2017/18
- Appendix III: Equality Impact Data

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>