Cabinet 12 November 2015

Is the final decision on the recommendations in this report to be made at this meeting? No

*Council Tax Reduction Scheme 2016/17*

<table>
<thead>
<tr>
<th>Final Decision-Maker</th>
<th>Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Holder(s)</td>
<td>Finance and Governance</td>
</tr>
<tr>
<td>Lead Director</td>
<td>Lee Colyer, Director of Finance and Corporate Services</td>
</tr>
<tr>
<td>Head of Service</td>
<td>Stephen McGinnes, Head of Revenues and Benefits</td>
</tr>
<tr>
<td>Lead Officer/Report Author</td>
<td>Stephen McGinnes, Head of Revenues and Benefits</td>
</tr>
<tr>
<td>Classification</td>
<td>Non-exempt</td>
</tr>
<tr>
<td>Wards affected</td>
<td>All</td>
</tr>
</tbody>
</table>

This report makes the following recommendations to the final decision-maker:

1. That having noted the potential impact on claimants including those with disabilities, carers and other working age groups, Cabinet recommends to Council that the Council Tax Reduction Scheme be maintained from 1 April 2016 at its current level;

2. That the Director of Finance and Corporate Services be given delegated authority to make such technical changes as are necessary to maintain the effective operation of the scheme; and

3. That the Council contributes towards the planned county wide review of the scheme and alternative schemes to be implemented for 2017/18 and requests a further report on progress of the review in March 2016.

This report relates to the following Five Year Plan Key Objectives:

- A Confident Borough – In providing financial support to low income households the Council will support communities enjoy good health and resilience to the challenges they may encounter.

**Timetable**

<table>
<thead>
<tr>
<th>Meeting</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Management Board</td>
<td>27 October 2015</td>
</tr>
<tr>
<td>Discussion with Portfolio Holder</td>
<td>27 October 2015</td>
</tr>
<tr>
<td>Cabinet Advisory Board</td>
<td>10 November 2015</td>
</tr>
<tr>
<td>Cabinet</td>
<td>12 November 2015</td>
</tr>
<tr>
<td>Council</td>
<td>9 December 2015</td>
</tr>
</tbody>
</table>
1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 The purpose of the report is to decide on the Local Council Tax Reduction Scheme to be applied during 2016/2017.

1.2 The scheme provides a mechanism to reduce the council tax liability for low income households, through a means tested process which varies the level of award dependent on income and household composition.

1.3 There are currently 6321 households that benefit through the scheme.

2. INTRODUCTION AND BACKGROUND

2.1 As part of the changes introduced through the Welfare Reform Act the national scheme for council tax benefit was abolished from 31 March 2013 and replaced by a requirement to determine a local discount scheme.

2.2 Government funding for the local scheme was reduced by 10% from 1 April 2013 and a requirement made that awards for claimants of pensionable age be protected from any reduction. The pensioner caseload represents 44% of the overall total.

2.3 In responding to that change a number of options were presented to Cabinet in July 2012, with Cabinet identifying the preferred scheme to be an 18.5% reduction in council tax benefit entitlements, whilst otherwise retaining the existing rules and criteria.

2.4 At the same time Cabinet proposed a number of changes to the council tax discounts and exemptions for empty properties, the additional revenue from which would help meet the shortfall in the proposed council tax support scheme funding.

2.5 A public consultation was undertaken to outline and seek views on two primary options identified by Cabinet as set out below.

Option 1 - reduce benefit awards by 25% to reflect in full the reduction in government grant and protection of pensioners.

Option 2 - reduce benefit awards by 18.5% and reduce the discount for empty homes from 6 months to 3 months.

A total of 928 responses were received with option 2, the Council’s preferred scheme, receiving the greatest support (53.3%).
2.6 On 18 October 2012 the Department for Communities and Local Government announced the introduction of a £100 million transitional fund to help councils lessen the impact for residents in the first year of the scheme.

2.7 The funding criteria required that the Council’s local scheme pass on an increase of no more than 8.5% in the first year and provide for no sharp reduction in support for those entering work. An additional grant of £149,000 was made available to the Council in the first year.

2.8 Following consideration of the consultation results and opportunity provided through the transitional fund, Cabinet made the following recommendation which was agreed by Council in December 2012.

An 8.5% reduction in the rate of council tax support applicable to all working age households during 2013/14, whilst otherwise maintaining the structure of the current national Scheme;

An 18.5% reduction in the rate of council tax support applicable to all working age households during 2014/15 and 2015/16, subject to the future demand and grant received for the Scheme.

2.9 The Council implemented a scheme in April 2013 where persons eligible for Council Tax Support would pay a minimum contribution of 8.5% towards their liability. The Local Government Finance Act 2012 states that a public consultation must take place if a scheme is either amended or replaced. The increase from 8.5% to 18.5% for 2014/15 was considered a change under the legislation.

2.10 A further consultation was therefore undertaken which included a direct mailing to a sample of 500 households in receipt of council tax support and wider participation through voluntary sector partners and the wider taxpayer through an online survey. The consultation set out 2 primary options. Option 1, to reduce awards by 25% and option 2, to reduce awards by 18.5%. A total of 79 responses were received to the consultation, with option 2, receiving the greatest level of support.

2.11 Following consideration of the consultation results, it was agreed by Council that a Local Council Tax Support Scheme be adopted with a reduction of 18.5% in the rate of Council Tax Support applicable to all working age households during 2014/15, with the scheme reconfirmed through Council for 2015/16.

2.12 The scheme adopted was endorsed by Kent County Council and the other major preceptors, with the same model adopted throughout Kent, with some local variations. By adopting the “County” scheme the Council received £125,000 per annum towards the cost of administration from the major preceptors.
3. **AVAILABLE OPTIONS**

3.1 The Council could vary the current level of support to either increase or reduce the level of support to low income households. However, it needs to balance the affordability of any increase for low income households with the wider interest of the council tax payer.

Options include:

3.2 Maintain the current system (do nothing) – Would provide a period of stability whilst the proposed county wide review of the scheme is undertaken and alternative options explored for 2017/2018 onwards. It would also provide an opportunity for the Council to assess the local impact of the Government’s wider welfare reforms.

3.3 Increase funding for the scheme – In order to reinstate support at the level of the former national council tax scheme the Council and major preceptors would need to provide additional funding of £650,000, which is considered unaffordable given the wider reduction in grant received by the Council. See paragraph 4.8.

3.4 Reduce funding – The Council could reduce funding for the scheme and in doing so request a higher level of council tax payment from low income households in receipt of support. With many low income households to be affected by the Government’s wider welfare changes from April such an increase would raise the risk of hardship and non-payment.

4. **PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 The preferred option is to retain the current scheme for a further year. Factors that have contributed towards the recommendation include:

**Planned County Wide Review**

4.3 A joint review of the current “County Scheme” is being commissioned to further explore the impact of the current scheme and alternative options for delivery. Initial findings from that review are expected to be available during March 2016, enabling further consultation and recommendation of a revised scheme for 2017/2018.

4.4 The cost of the review will be met jointly by the districts and major preceptors, with the latter to continue to provide funding of £125,000 towards the cost of administering the current scheme in Tunbridge Wells whilst that review is undertaken.

**Welfare Reform Changes**

4.5 A range of welfare reform changes is to be implemented during 2016 which will reduce the income available to many low income households. Such changes
include a freeze in the rate of the main income related benefits, a reduction in the household benefit cap (reduced from £26,000 to £20,000) and changes to the tax credit system.

4.6 The New Living Wage will also be introduced for those over 25 years of age.

4.7 The changes will impact on many low income households, placing additional pressure on their income and ability to make increased contribution towards council tax.

Financial viability

4.8 The Council and preceptors received a combined grant of £5.5 million in 2013/14 when the scheme was introduced. From 2014/15 the grant for council tax reduction has been included within the Council’s revenue support grant and retained business rates and is no longer distinguishable as a separate element.

4.9 The projected cost of the scheme in the current year is £5.2 million. In making allowance for a potential 2% increase in the council tax for next year and the impact of wider welfare reforms the projected cost for 2016/2017 is £5.6 million.

4.10 The Council’s overall grant has been reduced by 50% since the introduction of the scheme which is equivalent to a reduction of £287,000 in its proportion of grant funding for the scheme. The Council has managed the shortfall since 2013/14 through the savings and efficiencies identified annually and will continue to do so for 2016/17.

4.11 This financial pressure does make it essential that a full review of the scheme is completed to ensure that the resources available to the Council are used to best effect and the report recommends engagement in the Kent-wide review during 2016/17 for this reason.

5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The proposed extension of the current scheme has been put forward in consultation with Kent County Council, Kent Police and Kent Fire and Rescue.

5.2 Comprehensive public consultation was undertaken during 2012/13 during the initial design of the scheme, with a supplementary consultation in 2013/14 when the Council moved to the current scheme from the Government-supported scheme.

5.3 The results from both consultation exercises identified the current and proposed scheme as the preferred one. It is recommended that there is no further public consultation on the scheme or options at this stage.
6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 A decision regarding the scheme to be implemented for 2016/2017 is required by Council prior to 31 January 2016, with the scheme to be applied from 1 April 2016.

6.2 Details of the decision will be reported in the local media and through the Council’s website, with individual residents notified of their award as part of the annual billing process for council tax during March 2016.

7 CROSS-CUTTING ISSUES AND IMPLICATIONS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implications</th>
<th>Sign-off (name of officer and date)</th>
</tr>
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<tbody>
<tr>
<td><strong>Legal</strong> including Human Rights Act</td>
<td>The Local Government Finance Act 1992 requires Council to approve a scheme for 2016/17 by 31 January 2016.</td>
<td>Legal fee earner</td>
</tr>
<tr>
<td><strong>Finance</strong> and other resources</td>
<td>The cost of the scheme was fully funded by a combination of government grant and changes to exemptions and other discounts available to council tax payers in 2013/14. Since that time changes in grant distribution combined with reductions in grant received mean that the scheme can no longer be considered to be fully funded. The balance of resources has been identified through the Medium Term Financial Strategy.</td>
<td>Head of Finance and Procurement</td>
</tr>
<tr>
<td><strong>Staffing establishment</strong></td>
<td>No Impact.</td>
<td>Head of Revenues and Benefits</td>
</tr>
<tr>
<td><strong>Risk management</strong> and health &amp; safety</td>
<td>With the cost of council tax reduction met locally, any increase or decrease in demand and cost of the scheme will have a direct impact on the Council and major preceptors.</td>
<td>Head of Revenues and Benefits</td>
</tr>
<tr>
<td><strong>Environment</strong> and sustainability</td>
<td>No impact.</td>
<td>Head of Revenues and Benefits</td>
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<tr>
<td><strong>Community safety</strong></td>
<td>No impact.</td>
<td>Head of Revenues and Benefits</td>
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<tr>
<td><strong>Health and</strong></td>
<td>No impact.</td>
<td>Head of Revenues and Benefits</td>
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<tr>
<td>wellbeing</td>
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<td>Equalities</td>
<td>An equality impact assessment has been undertaken which demonstrates that people in receipt of council tax reduction with disabilities, carers and families with children receive a level of support higher than the average of people without those characteristics. That is because people with those characteristics receive additional allowances within the calculation and have certain types of income disregarded to recognise their needs. The proposed scheme will continue to maintain that range of additional allowances and income disregards for people with those characteristics and apply a consistent percentage reduction to the benefit award for all people of working age. A copy of the full equality impact assessment is provided as appendix I.</td>
<td>West Kent Equalities Officer</td>
</tr>
</tbody>
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8 REPORT APPENDICES

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

- Appendix A: Equality Impact Assessment

9 BACKGROUND PAPERS

Local Council Tax Discount Scheme 2016/17.